

City Revitalization



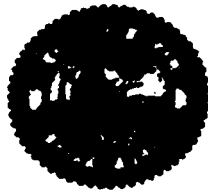
2003 COMPREHENSIVE
ANNUAL FINANCIAL REPORT
SAINT LOUIS, MISSOURI
FISCAL YEAR ENDED JUNE 30

CITY OF ST. LOUIS, MISSOURI
COMPTROLLER



COMPLIMENTS OF THE COMPTROLLER
DARLENE GREEN

*The City of
Saint Louis, Missouri*



*Comprehensive Annual
Financial Report
Fiscal Year Ended June 30, 2003*

*Prepared by
Office of the Comptroller*

*Darlene Green
Comptroller*

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Comprehensive Annual Financial Report
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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

212 City Hall
(314) 622-3297
FAX 622-4026

January 9, 2004

The Honorable Francis G. Slay, Mayor
The Honorable Members of the Board of Aldermen
and the Citizens of the City of St. Louis, Missouri:

The Comprehensive Annual Financial Report of the City of St. Louis, Missouri (City) for the fiscal year ended June 30, 2003 is hereby submitted.

This report has been prepared pursuant to, and to demonstrate compliance with, Article VIII, Section 10, of the City Charter. The Comprehensive Annual Financial Report (CAFR) is in conformance with the standards for financial reporting of the Governmental Accounting Standards Board (GASB) and the Government Finance Officers Association of the United States and Canada (GFOA).

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operation. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's basic financial statements have been audited by KPMG LLP, an independent certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the City for the fiscal year ended June 30, 2003, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's basic financial statements for the fiscal year ended June 30, 2003, are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to compliment MD & A and should be read in conjunction with it. The City's MD & A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The City, an independent municipality not within any county of the State of Missouri, provides a full range of municipal as well as county services to the residents and businesses located within its borders. For financial reporting purposes, the City has included all funds, agencies, commissions, and boards for which, in the opinion of City officials, the City is financially accountable. The City is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either is able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burden on, the primary government. In addition, the City is financially accountable for organizations that are fiscally dependent on it.

A number of other legally separate not-for-profit organizations are responsible for the provision of specific public services such as public financing. Due to the nature of the operations of not-for-profit organizations, they are considered to be component units of the City and are blended within the City's reporting entity for financial reporting purposes.

Police protection is provided to the residents of the City by the Metropolitan Police Department of the City (Police Department), the affairs of which are administered by an independent board appointed by the Governor of the State of Missouri. Although the activities of the Police Department are totally dependent on financial resources appropriated by and approved by the City's Board of Aldermen, the Police Department is a legally separate entity and is presented as a discrete component unit.

The St. Louis Development Corporation (SLDC), a not-for-profit organization which handles economic development, Harry S. Truman Restorative Center (HSTRC), a skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building, and Solid Waste Management and Development Corporation (SWMDC), owner of the downtown underground pressurized steam transport pipe known as the steam loop, are also presented as discrete component units.

CAFR FORMAT

There are three main sections in this report:

The Introductory Section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting, a list of elected officials and the Comptroller's and the City's organizational charts.

The Financial Section includes the independent auditors' report, MD&A, basic financial statements for the City, required supplementary information, as well as other supplementary information.

The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

ACCOUNTING SYSTEM, INTERNAL CONTROLS, AND BUDGETARY CONTROL

The City utilizes a fully computerized Accounting Information Management System (AIMS). This system is based on a single input of information. The AIMS system provides: 1) integrated, general and subsidiary accounting of all funds; 2) appropriation/encumbrances accounting and control; and 3) the ability to generate cost/expenditure data in a multitude of formats useful for budgetary control and other managerial purposes.

In developing and evaluating the City's accounting system, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

- The safeguarding of assets against loss from unauthorized use or disposition, and
- The reliability of financial records for preparing financial statements and maintaining accountability for assets.
- The concept of reasonable assurance recognizes that:
 - The cost of a control should not exceed the benefits likely to be derived, and
 - The evaluation of assets and benefits requires estimates and judgements by management.

All internal control evaluations occur within this framework. Therefore, the Comptroller's Office believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Through annual appropriations, the City maintains budgetary control at the fund level. Cost classifications are categorized in the following groups: personnel services, materials and supplies, rental and non-capital leases, non-capital equipment, capital assets, contractual and other services, and debt service and special extraordinary items.

Encumbrances are recorded by the Control Section (or in some cases by the requesting department) through an on-line budgetary control module before requisitions are sent to the Purchasing Division. If sufficient appropriations are not available to cover a purchase, the requisitions is returned to the originating department for transfer of appropriations between departments with prior approval of the Board of Estimate and Apportionment (E&A). A formal monthly expense monitoring procedure has been established to help eliminate rejected requisitions and related cancellations, and to minimize line item transfers. Encumbrances are detailed for current year budgetary presentations. While appropriation balances lapse at the end of the fiscal year, appropriation balances for encumbrances remain.

BUDGET PROCESS

The City's fiscal year is July 1 through June 30. The budget process begins in the preceding December with a revenue forecast for the upcoming fiscal year. By February, department budget requests are submitted to the Budget Division, and the review process begins immediately.

The Budget Division works closely with E&A in developing, within forecasted revenue constraints, the proposed budget. By law, E&A must recommend a balanced budget to the Board of Aldermen (the Board), the City's legislative body, sixty days prior to the start of a new fiscal year. The Board may decrease but not increase any recommended appropriation amount. The Board, however, may recommend changes in the proposed budget. Any changes must be mutually agreed upon between the Board and E&A. If a budget cannot be agreed upon prior to July 1, the final budget presented by E&A becomes the official budget.

ECONOMIC OUTLOOK

The City is the core of a twelve county metropolitan area covering parts of both Missouri and Illinois (MSA). It is the employment and entertainment center of an area containing a population of more than 2.6 million residents. Its 24 million square feet of downtown office space have an occupancy rate of 80%. According to the Missouri Department of Labor and Industrial Relations there are approximately 1.3 million non-agricultural jobs in the MSA with 60,000 new jobs having been created in the past 5 years. Although the distribution of jobs across industry sectors has resulted in a decline in the City's share of jobs in the metropolitan area, the City remains a significant source of jobs in the region with nearly 20% of all the jobs. Job growth in the City has been in the service sector and the expectation is that long term employment growth in the City will be in the areas of medical and business services, as well as convention and tourism business.

RISK MANAGEMENT

The City uses a combination of insurance and self-insurance for risk protection. Certain coverage has been obtained for high-risk activities or as required by law. All general liability cases are handled by the City Counselor's Office. The City's staff of attorneys attempts to settle or defend all claims made against the City. Each year an appropriation is made to a judgement account which is segregated in the Public Facilities Protection Corporation (PFPC), a not-for-profit corporation. PFPC implements programs to assure continued municipal and governmental services, which could be jeopardized by the escalating costs of insurance and /or exposure to claims and judgements that exceed fiscal abilities. It is administered by three City officials representing the Office of the Comptroller, the City Counselor's Office and the Budget Division, and treated as a blended component unit of the City. These officials are responsible for obtaining and maintaining adequate funding and reserves.

Additionally, PFPC administers all workers' compensation liabilities. A third party administrator was contracted to process all claims and make recommendations regarding workers' compensation concerns. The utilization of a third party administrator working with improved City safety efforts has resulted in a reduction in the number and severity of workers' compensation claims. This has also enabled the City to more timely process claims and payments, as well as provide more timely and accurate statistical data.

The City is also self-insured for its employee's health insurance. An internal service fund has been established to account for payment of health insurance claims for participants.

INTERNAL AUDIT

It is the special responsibility of the Comptroller, as set out in the Charter, to provide City officials and taxpayers with reasonable assurance that public funds and property are adequately safeguarded and that financial transactions are authorized and properly recorded.

The Comptroller's internal audit staff audits various departments within the City testing for the methods employed by the department to safeguard the assets, ensuring the reliability of the accounting data, promoting efficient operations and ensuring compliance with established ordinances and the City Charter. Audits may also be performed on various corporations and not-for-profit organizations to ensure compliance with the various contractual agreements with the City. In addition to audits, the internal audit staff reviews the revenue collection procedures established by those departments and employees who receive or collect City revenue. As a result of these audits and reviews, the internal auditors develop recommendations of procedures that should be implemented to improve internal controls. These audits and reviews are performed on a continual basis.

CERTIFICATE OF ACHIEVEMENT

The City's CAFR for the fiscal year ended June 30, 2002 was awarded the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. This is the sixteenth year the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. The report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for one year only. We believe that our current CAFR will continue to meet the Certificate of Achievement Program requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENT

I would like to express my appreciation to the staff members of the Comptroller's Office who assisted in the preparation of this report. I also extend my appreciation to the independent accounting firm of KPMG LLP whose many hours of professional service enabled this report to be produced. Contributions to the completion and publication of this financial history were made by staff of other departments to whom I also express my appreciation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Darlene Green".

Darlene Green
Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Louis,
Missouri

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



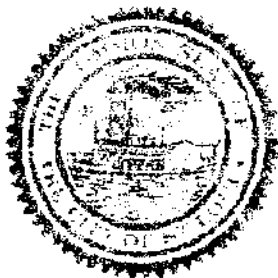
A handwritten signature in black ink, appearing to read "Edmund H. Hwang".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Egan".

Executive Director

The City of St. Louis, Missouri
Elected Officials
June 30, 2003



Board of Aldermen

(Aldermen listed to numerical order by ward)

Francis G. Slay
Mayor

Darlene Green
Comptroller

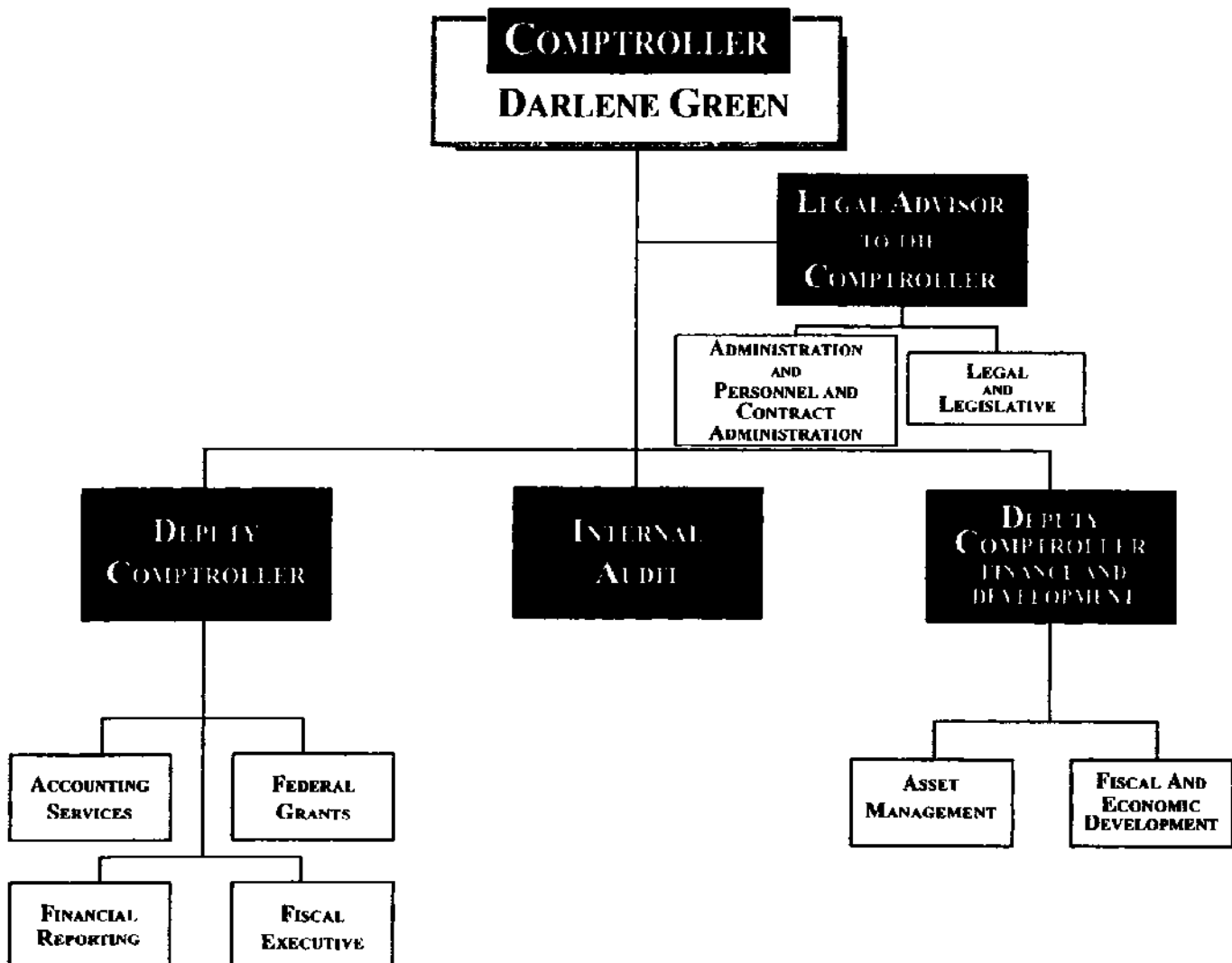
James F. Shrewsbury
President, Board of Aldermen

Irene J. Smith
Dionne Flowers
Freeman Bosley, Sr.
Peggy Ryan
April Ford Griffin
Lewis Reed
Phyllis Young
Stephen Conway
Kenneth Ortmann
Joseph Vollmer
Matt Villa
Fred Heitert
Alfred Wessels, Jr.
Stephen Gregali

Jennifer Florida
Donna Baringer
Joseph Roddy
Terry Kennedy
Michael McMillan
Craig Schmid
Bennice Jones King
Jeffrey Boyd
Colleen Sonderrmann
Thomas Bauer
Dan Kirner
Frank Williamson
Gregory Carter
Lyda Krewson



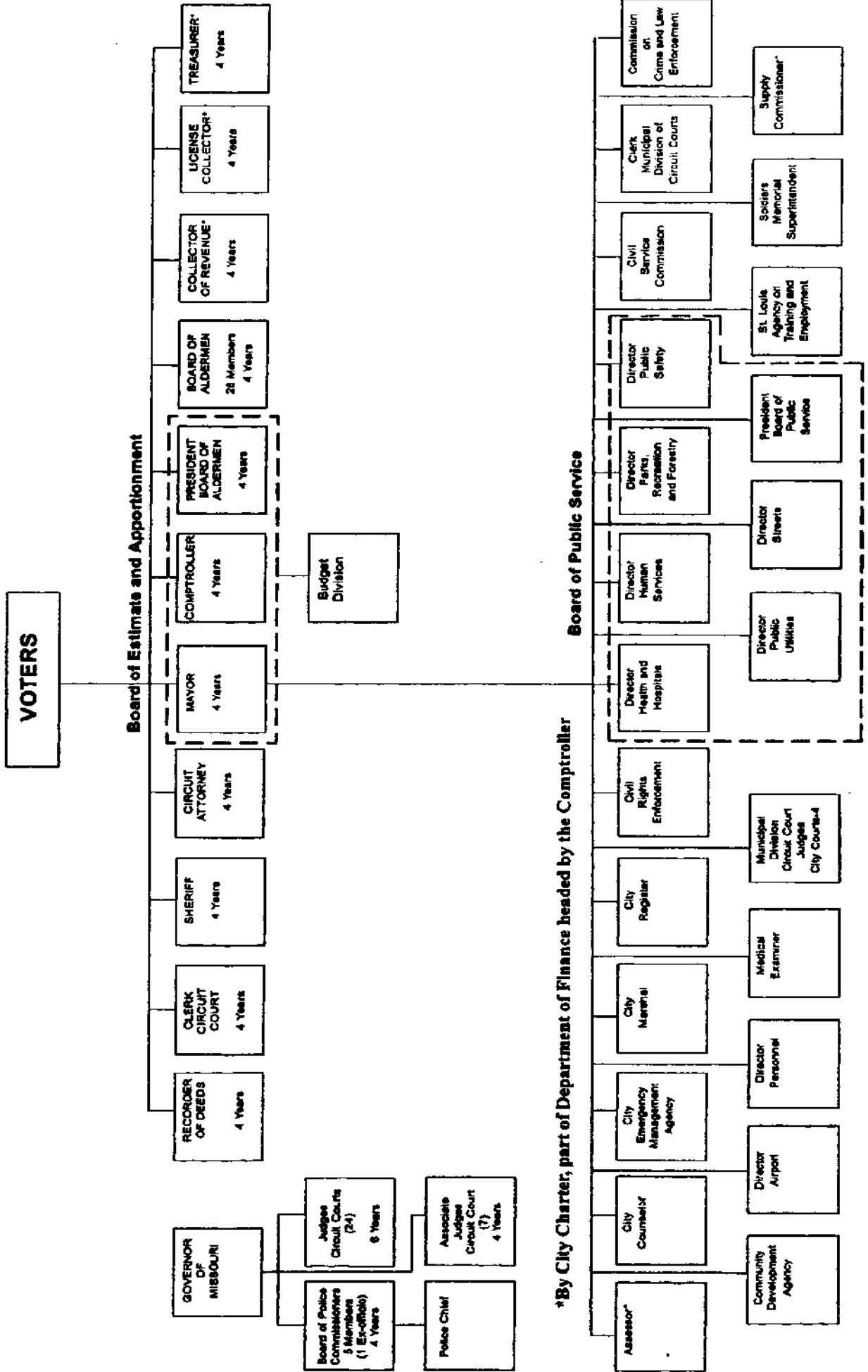
City of St. Louis
Office of the Comptroller



City of St. Louis, Missouri

Government

X



*By City Charter, part of Department of Finance headed by the Comptroller



10 South Broadway
Suite 900
St. Louis, MO 63102-1761

Independent Auditors' Report

To the Honorable Mayor and
Members of the Board of Aldermen
City of St. Louis, Missouri:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of St. Louis, Missouri, as of and for the year ended June 30, 2003, which collectively comprise the City of St. Louis, Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of St. Louis, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the pension trust funds, St. Louis Development Corporation, and the Harry S. Truman Restorative Center. The assets and additions of the pension trust funds represent 91% and 100% of the assets and additions, respectively, of the aggregate remaining fund information. The assets of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 61% and 1%, respectively, of the assets of the aggregate discretely presented component units. The revenues of St. Louis Development Corporation and Harry S. Truman Restorative Center represent 18% and 5%, respectively, of the revenues of the aggregate discretely presented component units. The financial statements of the pension trust funds, St. Louis Development Corporation, and Harry S. Truman Restorative Center were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those funds and discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the pension trust funds and Harry S. Truman Restorative Center discretely presented component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provides a reasonable basis for our opinions.

As discussed in note 23d to the financial statements, on July 16, 2003, the major air carrier providing air passenger service at Lambert—St. Louis International Airport, an enterprise fund of the City of St. Louis, Missouri, announced its intention to significantly reduce its operations at Lambert—St. Louis International Airport.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of



St. Louis, Missouri, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2004 on our consideration of the City of St. Louis, Missouri's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 17, the Budgetary Comparison Information on pages 117 through 122, and the Firemen's Retirement System of St. Louis and Employees' Retirement System of the City of St. Louis Information on page 123 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Louis, Missouri's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied by us and the other auditors, in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

St. Louis, Missouri
January 9, 2004

<p style="text-align: center;">CITY OF ST. LOUIS MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2003</p>
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This section of the City of St. Louis's (the City) Comprehensive Annual Financial Report presents an easily readable analysis of the City's financial activities based on currently known facts, decisions, and conditions. The following discussion and analysis of the City's financial performance has been prepared by management to provide an overview of the basic financial statements of the City for the fiscal years ended June 30, 2003 and 2002. For a comprehensive understanding of the financial statements, please review the transmittal letter at the front of this report along with the City's financial statements, including the footnotes that follow the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS (excluding discretely component units)

- On a government-wide basis, the City's total assets exceeded its liabilities for the most recent fiscal year by \$1.5 billion.
- Governmental activities and business-type activities had net assets of \$425.1 million and \$1.1 billion, respectively.
- On a government-wide basis during the year, the City's total expenses were \$81.6 million less than the \$910.6 million revenue generated in charges for services, grants, taxes, and other revenues.
- The cost of the City's governmental activities was \$619.8 million in fiscal year 2003.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$234.4 million. Of this amount, \$103.7 million is unreserved fund balance and available for spending at the City's discretion.
- The unreserved fund balance for the general fund was \$52.0 million or 12.8% of total general fund expenditures.
- The general fund revenues were lower than original budget estimates.
- In fiscal year 2003, the City issued \$141.9 million in governmental leasehold revenue bonded debt to finance projects and refund debt. Outstanding bond debt of \$142.4 million was advance refunded and defeased with an economic gain of \$11.6 million. There was a net decrease of \$3.1 million or .6% in bond debt during the current fiscal year.
- The resources available were \$17.9 million less than budget for the general fund. However, the City limited general fund spending primarily through a decrease in transfers from the general fund and a reduction in planned departmental expenditures.
- In September 2002, the Parking Division issued \$21.0 million in subordinated parking revenue bonds to fund two new parking facilities. Due to restrictions imposed by the Series 2002 Bonds, no budget was established for expenditures out of the prior year's surplus funds in fiscal year 2003. Funds released by the bonds in July 2003 are expected to be used to pay for a surface lot with approximately 3,700 new electronic meters.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*.

Government-wide Financial Statements

The first set of financial statements is the government-wide statements which report information about the City as a whole using accounting methods similar to those used by private-sector companies. The two government-wide statements, **Statement of Net Assets** and **Statement of Activities**, report the City's net assets and how they have changed. In the government-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those one normally associates with the operation of a government such as public safety, parks, and streets. Business-type activities are those activities of the government that are designed to be self-supporting.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Increases and decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating. The statement of net assets also provides information on unrestricted and restricted net assets and net assets invested in capital assets, net of related debt.

The **Statement of Activities** presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of the timing of related cash flows.

The statement of activities presents the various functions of the City and the degree to which they are supported by charges for services, federal and state grants and contributions, tax revenues, and investment income.

The governmental activities of the City include general government, convention and tourism, parks and recreation, judicial, streets, public safety (fire, police, other), health and welfare, public service, and community development as well as interest and fiscal charges. The business-type activities of the City include an airport, water division, and parking facilities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, a legally separate police department for which the City is financially accountable, a not-for-profit skilled nursing facility supported by the City, and a legally separate corporation that owns and leases the downtown steam loop. Financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements also include blended component units within the primary government because of their governance. Included within the governmental activities of the government-wide financial statements are the operations of the Public Facilities Protection Corporation (PFPC), St. Louis Municipal Finance Corporation, and St. Louis Municipal Finance Corporation II.

Fund Financial Statements

The second set of statements is fund financial statements, which provide information about groupings of related accounts that are used to maintain control over resources for specific activities or objectives. The City uses fund accounting to demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the City's most significant funds — not the City as a whole. The funds of the City can be divided into the following three categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

1. **Governmental Funds.** Governmental funds tell how general government services were financed in the short term, as well as what financial resources remain available for future spending to finance City programs.

The City maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for

the general fund, capital projects fund, and grants fund, which are considered to be major funds. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements.

2. *Proprietary Funds.* Proprietary funds offer short-term and long-term financial information about services for which the City charges customers, both external customers and internal departments of the City. The City maintains the following two types of proprietary funds:
 - *Enterprise Funds* are used to report information similar to business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for the operations of the Lambert-St. Louis International Airport, Water Division, and the Parking Division.
 - *Internal Service Funds* are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its mail handling services, for payment of workers' compensation and various other claims, and health insurance.
3. *Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of individuals or units outside of the City. The City is the trustee or fiduciary responsible for assets that can be used only for the trust beneficiaries per trust arrangements. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The City's pension trust funds and agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the general fund and required supplementary information pertaining to the Firemen's Retirement System of St. Louis and the Employees' Retirement System of the City of St. Louis pension trust funds. The Police Retirement System of St. Louis uses the aggregate actuarial cost method and, accordingly, no required supplementary information is presented as this method does not identify or separately amortize unfunded actuarially accrued liabilities.

Combining Statements

The combining statements provide fund level detail for all nonmajor governmental funds, internal service funds, pension trust funds, and agency funds.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets. The City's combined net assets for fiscal years 2003 and 2002 were \$1.5 billion and \$1.4 billion, respectively. Looking at the net assets of governmental and business-type activities separately provides additional information.

The City of St. Louis, Missouri
Schedule of Net Assets
June 30, 2003
(dollars in millions)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets:						
Current and other assets	380.5	430.9	763.2	804.3	1,143.7	1,235.2
Capital assets	730.5	693.5	1,487.0	1,268.5	2,217.5	1,962.0
Total assets	1,111.0	1,124.4	2,250.2	2,072.8	3,361.2	3,197.2
Liabilities:						
Long-term debt outstanding	634.4	628.4	1,069.4	990.2	1,703.8	1,618.6
Other liabilities	51.5	71.0	74.8	58.1	126.3	129.1
Total liabilities	685.9	699.4	1,144.2	1,048.3	1,830.1	1,747.7
Net assets:						
Invested in capital assets, net of related debt	326.1	321.1	810.7	696.9	1,136.8	1,018.0
Restricted	141.4	114.5	263.4	275.8	404.8	390.3
Unrestricted	(42.4)	(10.6)	31.9	51.8	(10.5)	41.2
Total net assets	425.1	425.0	1,106.0	1,024.5	1,531.1	1,449.5

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.5 billion in the current year as compared to \$1.4 billion in the previous year.

The largest portion of the City's net assets, 74.2%, reflects its investment of \$1.1 billion in capital assets (for example, infrastructure, land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Included in the City's total net assets at the end of fiscal 2003 and fiscal 2002, respectively, is \$404.8 million and \$390.3 million, which represents resources that are subject to external restrictions on how they may be used. Total unrestricted net assets decreased by \$51.7 million for the year ended June 30, 2003.

All net assets generated by governmental activities are either externally restricted or invested in capital assets. Consequently, unrestricted governmental activities net assets showed a \$42.4 million deficit at the end of this year as compared to a \$10.6 million deficit last year. This deficit does not mean that the City does not have resources available to pay its bills next year. Rather, it is the result of having long-term commitments that are greater than currently available resources. For example, the City's policy and practice is to budget for certain long-term

expenses as they come due. Specifically, the City did not include in past annual budgets the full amounts needed to finance future liabilities arising from property and casualty claims and amounts to pay for unused employee vacation and sick days. The City will continue to include these amounts in future year's budgets as they come due.

In addition, three particular features of the City's recent financial activity affected the deficit in unrestricted governmental net assets. These activities over the past several years reflect debt to provide development stimulus for which the City received no offsetting asset. They include the following:

- Section 108 loan agreements, \$76.5 million.
- Joint venture financing agreement for the expansion of the convention center, \$76.4 million.
- Tax increment financing debt for economic development projects in the amount of \$25.8 million.

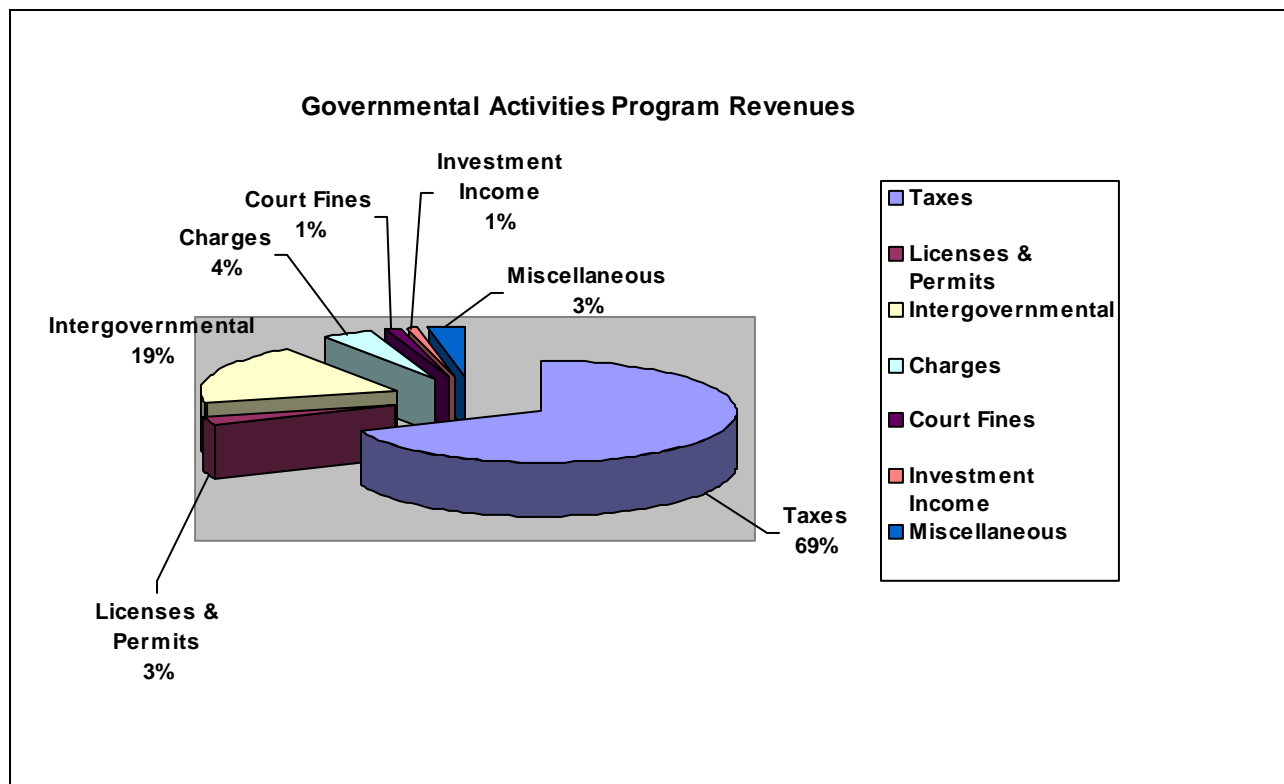
Although the net assets of the business-type activities increased to \$1.1 billion from \$1.0 billion, these resources cannot be used to make up for the unrestricted net asset deficit in governmental activities. The City generally can only use these net assets to finance the continuing operations of the airport, water, and parking operations.

City of St. Louis, Missouri
Changes in Net Assets
June 30, 2003
(dollars in millions)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Program revenues						
Charges for services	75.8	71.7	230.1	211.2	305.9	282.9
Federal and state grants	117.3	84.6	44.9	40.4	162.2	125.0
General revenues:						
Taxes	415.1	414.0			415.1	414.0
Investment income	3.9	6.7	23.2	32.8	27.1	39.5
Total revenues	612.1	577.0	298.2	284.4	910.3	861.4
Expenses:						
General government	69.9	68.9			69.9	68.9
Convention and tourism	6.7	6.2			6.7	6.2
Parks and recreation	20.7	20.0			20.7	20.0
Judicial	51.1	48.4			51.1	48.4
Streets	49.9	51.0			49.9	51.0
Public safety:						
Fire	50.5	54.0			50.5	54.0
Police	126.5	125.3			126.5	125.3
Other	50.2	41.5			50.2	41.5
Health and welfare	37.8	35.6			37.8	35.6
Public service	67.1	65.2			67.1	65.2
Community development	59.2	50.3			59.2	50.3
Interest on long-term debt	30.1	29.6			30.1	29.6
Airport			158.2	151.6	158.2	151.6
Water Division			40.9	43.4	40.9	43.4
Parking Division			10.1	10.9	10.1	10.9
Total expenses	619.7	596.0	209.2	205.9	828.9	801.9
Gain on sale	0.2			2.8	0.2	2.8
Transfers	7.5	7.0	(7.5)	(7.0)		
Increase (decrease) in net assets	.1	(12.0)	81.5	74.3	81.6	62.3
Ending net assets	425.1	425.0	1,106.0	1,024.5	1,531.1	1,449.5

Changes in net assets. The City's total revenue on a government-wide basis was \$910.3 million, an increase of \$48.9 million over the previous year. Taxes represent 45.6% of the City's revenue as compared to 48.0% last year. Additionally, 33.6% comes from fees charged for services, as compared to 32.8% of the previous year's revenue. The remainder is state and federal aid, interest earnings, and miscellaneous revenues.

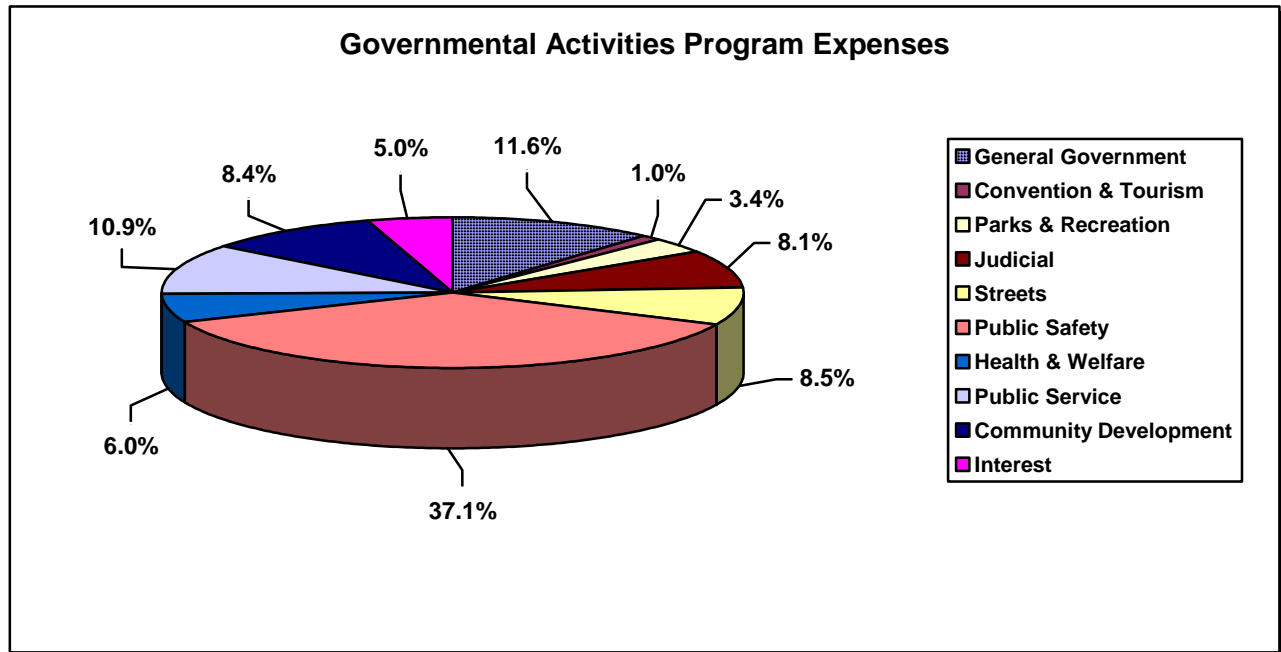
The total cost of all programs and services was \$828.9 million, an increase from \$801.9 million last year. The City's expenses cover a range of typical city/county services. The largest program was the airport. The program with the largest burden on general revenues was public safety.



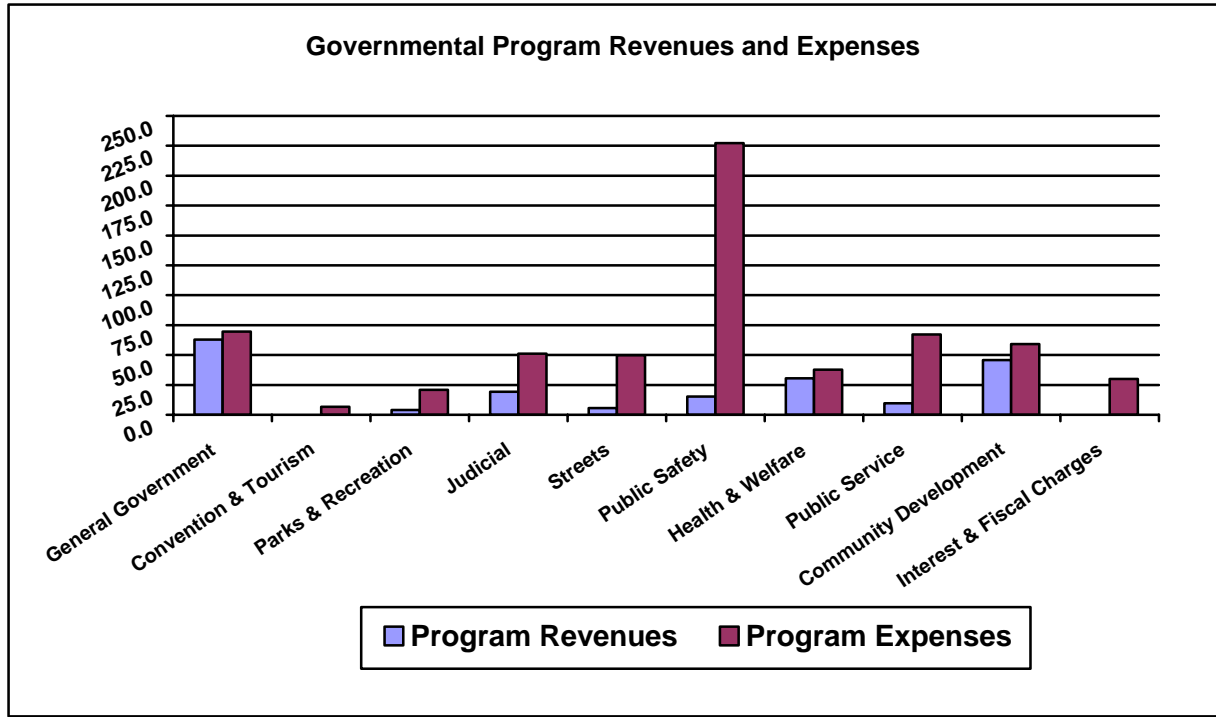
Governmental activities. Revenues excluding the gain on the sale of assets, increased by \$35.1 million (6.1%), while total expenses increased by \$23.7 million (4.0%). Governmental activities increased the City's net assets by \$.1 million, whereas governmental activities decreased the City's net assets by \$12.0 million in fiscal 2002. The gain on the sale of capital assets broadened the increase in net assets by \$.2 million. The City implemented three major actions that contributed to the surplus reported this year:

1. Economically sensitive revenues, such as earnings tax, payroll tax, and sales tax, reflected a decrease in activity due to the changing economy. This caused the City to institute immediate cost restrictions.
2. The city voters passed a use tax in April 2001. The tax was segregated by ordinance in a special revenue fund to be used for affordable housing and healthcare. This tax lessened the burden on the general fund.
3. The City imposed a hiring freeze (excluding the City's police department). The freeze, in addition to eliminating vacant positions and staff restructuring efforts, contributed to the surplus.

Several revenue sources fell short of the final budget estimates. The shortfalls include various tax revenue, intergovernmental, court fines, and interest. Of the budgeted revenue, charges for services and licenses and permits exceeded the budgeted amount by approximately 4.2 and 5.0%, respectively.



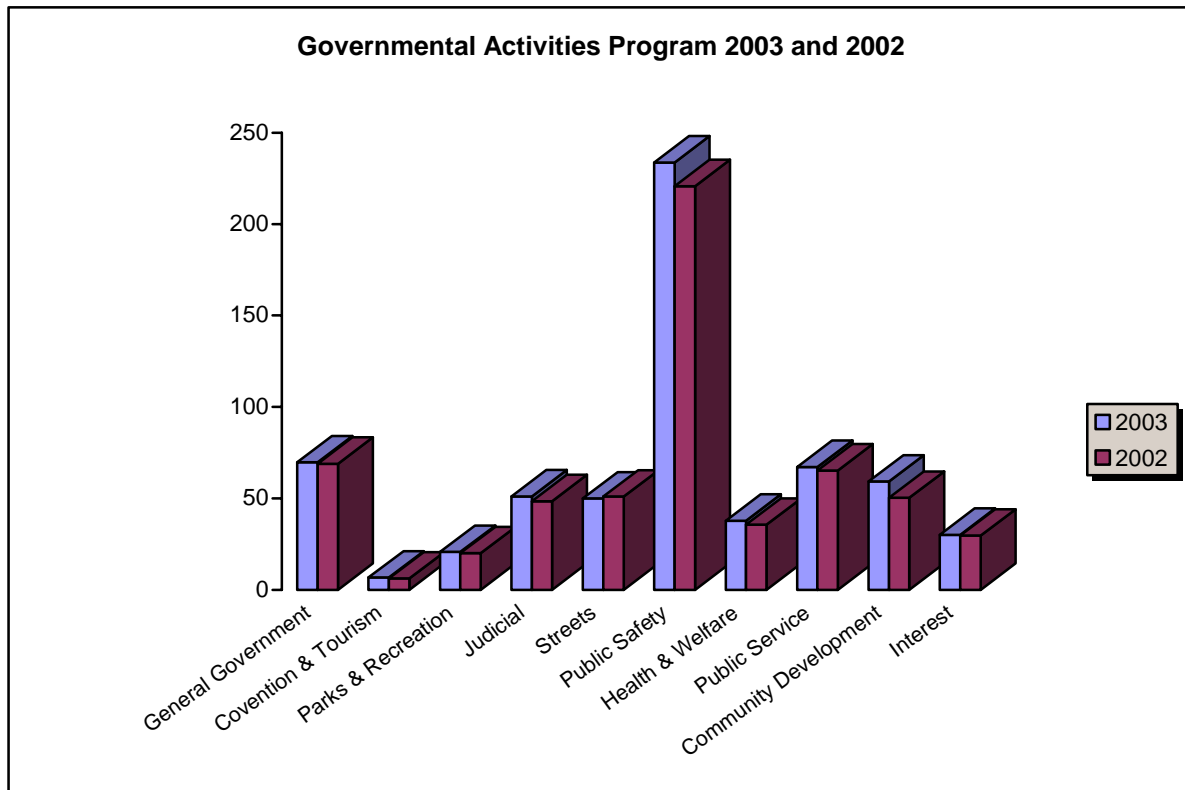
The charts above illustrate a comparison of the City's governmental activities program revenues and expenses and a breakdown of expenses by function and revenues by source. As shown, public safety is the largest function in expense (37.1%) which remained unchanged from the previous year. General revenues, such as property, earnings, payroll, and sales taxes, are not shown by program, but are included in the governmental activities program revenue chart to show their significance. The taxes are used to support program activities City-wide.



City of St. Louis, Missouri
Governmental Activities
(dollars in millions)

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
General government	69.9	68.9	6.8	24.8
Convention and tourism	6.7	6.2	6.7	6.2
Parks and recreation	20.7	20.0	16.7	18.7
Judicial	51.1	48.4	31.7	27.5
Streets	49.9	51.0	44.4	44.3
Public safety:				
Fire	50.5	54.0	43.5	48.9
Police	126.5	125.3	126.5	125.3
Other	50.2	41.5	42.0	30.7
Health and welfare	37.8	35.6	7.3	3.2
Public service	67.1	65.2	57.5	58.5
Community development	59.2	50.3	13.5	22.0
Totals	589.6	566.4	396.6	410.1

The charts listed above represent the cost of governmental activities this year. The cost this year was \$589.6 million compared to \$566.4 million last year. However, as shown in the statement of activities, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$396.6 million. The difference of \$193.0 million was subsidized by charges for services (\$75.7 million), grants, and contributions (\$117.3 million).



Comparison data for 2003 versus 2002.

1. The major factor creating the increase in community development spending was the recognition of the issuance of \$15.7 million tax incremental financing debt as an expense of the City. Debt is incurred without any corresponding asset being acquired.
2. In fiscal year 2003, the City had a full year of operation of the newly constructed Justice Center creating an increase in public safety expenses.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2003
(dollars in millions)

	2003	2002	2003 vs. 2002 \$ Change	2003 vs. 2002 % Change
Total assets	357.0	402.2	(45.2)	(11.2)
Total liabilities	122.6	125.6	(3.0)	(2.4)
Fund balances:				
Reserved:	130.8	143.5	(12.7)	(8.9)
Unreserved:				
General fund	52.0	58.2	(6.2)	(10.7)
Special revenue	41.5	45.0	(3.5)	(7.8)
Capital projects	10.1	29.9	(19.8)	(66.2)
Total fund balances	234.4	276.6	(42.2)	(15.3)
Total liabilities and fund balance	357.0	402.2	(45.2)	(11.2)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on inflows, outflows, and balances of current financial resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the unreserved fund balance of the general fund was \$52.0 million, while the total general fund balance was \$76.7 million. As of June 30, 2002, the balances were \$58.2 million and \$87.9 million, respectively. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance of \$52.0 million represents 12.6% of total general fund expenditures and transfers out of \$410.8 million, while total fund balance of \$76.7 million represents 18.6% of total general fund expenditures and transfers out. This compares to 14.3% of total general fund expenditures and transfers of \$405.9 million and a fund balance of \$87.9 million and 21.7% of total general fund expenditures and transfers out in fiscal year 2002.

The total fund balance in the City's general fund decreased by \$11.2 million, or 12.7% in the current fiscal year. This compares to \$8.2 million, or 8.5% in the prior year. The change of the current fiscal year's general fund balance is primarily due to:

1. Economically sensitive revenues, such as earnings tax, payroll tax, and sales tax, remained flat or declined from the previous year.
2. Lower interest rates on City investments and the decrease in available funds for investment caused interest revenues to decrease.
3. The general fund contributed \$11.5 million to the Employee's Retirement System compared to \$5.2 million the previous year.
4. Workers' compensation expenses in the general government function increased by \$0.9 million.
5. Election Board under the general government function increased \$1.2 million due to the cost of the general and primary elections that took place in the current year.

6. The City's new Justice Center opened all operations in fiscal year 2003. This accounts for a \$6.7 million increase in public safety.
7. Health Department expenditures decreased by \$8.6 million. Health and welfare additional activities were previously charged to the general fund and are currently charged to the use tax fund.
8. There were no transfers from the general fund to the capital fund for debt service purposes.

The capital projects fund ended the fiscal year with an unreserved fund balance of \$10.1 million and a total fund balance of \$105.8 million as compared to \$29.8 million and \$131.2 million, respectively. Changes were impacted by the fact that there were no revenue bond issuances for the capital projects fund in the current year, while \$18.6 million in revenue bonds were issued in fiscal 2002. Capital project bond proceeds were in place to cover all expenditures in excess of revenues for the capital projects fund.

The grants fund received all intergovernmental revenues and the Community Development Agency spent more than 50% of these funds.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets for Lambert-International Airport were \$32.1 million, the Water Division were \$1.6 million, and the Parking Division were a negative \$1.4 million, as compared to \$35.5 million, \$17.4 million, and negative \$0.3 million, respectively, in 2002. The internal service funds, which are used to account for certain governmental activities, also had a negative unrestricted net assets in the amount of \$18.0 million. Last year the unrestricted net assets were negative \$7.5 million. The total growth in net assets for the proprietary funds was \$70.9 million in the current year and \$73.9 million in the previous year. Factors contributing to the finances of these funds have been addressed earlier in the Management's Discussion and Analysis of the City's business-type activities.

Fiduciary Funds

The City maintains fiduciary funds for the assets of the pension trust funds for the Firemen's Retirement System, the Police Retirement System, and the Employee's Retirement System. As of the end of the current fiscal year, the net assets of the pension funds totaled \$1.3 billion, a decrease of \$182.1 million from the previous year. The change is primarily due to the decreases in the fair value of the pension funds' investments.

The City is the custodian of the agency funds and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of other entities, there are no net assets to discuss. As of the end of the current fiscal year, the combined gross assets of the agency funds totaled \$51.4 million. This amount comprises activity from the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, and circuit clerk, and other miscellaneous agency activities.

General Fund Budgetary Highlights

The final budget for the City's general fund represents the original budget plus any previously appropriated funds set aside for the purpose of honoring legally incurred obligations (prior year encumbrances and commitments) plus any additional supplemental appropriations that may occur during the fiscal year. In the current fiscal year, \$4.8 million had been set aside for prior year encumbrances and commitments, and there was a supplemental appropriation in the amount of \$0.7 million in the general fund.

Excluding the \$4.8 million prior year encumbrance and commitment appropriation, the original general fund budget for the fiscal year 2003 was \$415.2 million, which includes a projected transfer to a component unit of \$128.2 million. General fund revenues and other resources were originally estimated at \$412.0 million. However, during

the fiscal year, actual revenues and other resources fell short of original estimates by \$17.9 million. In response to the revenue shortfall, a number of actions were taken to reduce expenditures. Significant budget actions included:

- \$6.3 million in net personal service account savings from a slowdown in hiring and maintenance of vacant positions.
- \$2.4 million in reduced nonpersonal service account spending through mid-year restrictions on discretionary accounts.
- Reduction in budgeted transfers from the general fund.

As a result, the general fund ended the year with a deficit of \$8.6 million. As of June 30, 2003, the unreserved fund balance of the general fund was \$20.4 million on a cash basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had invested \$2.2 billion in a broad range of capital assets, including fire equipment, park facilities, roads, bridges, runways, and water systems. This amount represents a net increase for the current fiscal year (including additions and deductions) of \$255.5 million, or 13.0%, over last year.

The City of St. Louis, Missouri
Schedule of Changes in Capital Assets,
Net of Depreciation
(dollars in millions)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	77.5	77.3	761.7	711.0	839.2	788.3
Construction in progress	91.5	153.7	281.2	95.1	372.7	248.8
Works of art	2.3	2.2			2.3	2.2
Buildings and improvements	304.5	218.0	203.0	213.4	507.5	431.4
Equipment	60.9	60.9	60.4	62.9	121.3	123.8
Infrastructure	193.8	181.4			193.8	181.4
Pavings			96.4	105.2	96.4	105.2
Reservoirs			29.5	25.9	29.5	25.9
Water mains, line, and accessories			54.8	55.0	54.8	55.0
Total	730.5	693.5	1,487.0	1,268.5	2,217.5	1,962.0

This year's major capital asset additions included:

- \$ 93.3 million moved from construction work in progress to buildings and improvements upon completion of projects in governmental activities.
- \$188.3 million construction work in progress addition at the airport.
- \$ 47.4 million land additions at the airport.

There were no major capital asset additions for the Water Division or the Parking Division.

The net decrease in construction in progress in governmental activities is due to the completion of the Justice Center. Its cost is now included in buildings and improvements.

For government-wide financial presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

For additional information on capital assets, refer to note 7 in the notes to the basic financial statements.

Long-term Debt

At the end of fiscal year 2003, the City had outstanding long-term debt obligations for governmental activities in the amount of \$577.4 million compared to \$580.5 million in fiscal year 2002. Of this amount, \$54.7 million are general obligation bonds and \$25.9 million are tax increment financing bonds. Lease revenue obligations outstanding totaled \$319.7 million. The decrease of \$3.1 million in the City's long-term debt obligations reflects the issuance of \$141.9 million of refunding bonds which refunded \$142.4 million. The remaining reductions were due to normal scheduled retirements.

The City of St. Louis, Missouri Outstanding Long-term Debt Obligations—Governmental Activities (dollars in millions)

	Fiscal Year 2003	Fiscal Year 2002	Fiscal Year 2001	2003 vs. 2002 % Change
General obligation bonds	54.7	57.5	60.2	(4.9)
Tax increment financing bonds	25.9	11.0	11.8	135.5
Lease revenue obligations	319.7	334.2	321.1	(4.3)
Section 108 loan guarantee assistance	76.6	78.9	55.0	(2.9)
Federal financing bank advances	.8	.9	.9	(11.1)
Capital lease	11.1	5.7	7.4	94.7
Master note purchase agreement	.3	.9	1.2	(66.7)
Obligations under capital leases with component units	11.8	12.1	12.5	(2.5)
Joint venture financing agreement	76.5	79.3	82.0	(3.5)
MTFC direct loan agreement			.6	
Note payable			2.0	
Total	577.4	580.5	554.7	(0.6)

In fiscal year 2003, the City issued \$118.5 million in Convention Center Leasehold Refunding Bonds Series 2003-Convention Center Project. The proceeds were used to defease outstanding St. Louis Municipal Finance Corporation (SLMFC) Leasehold Revenue Refunding Bonds Series 1993A. The City also issued \$23.4 million in Civil Courts Leasehold Refunding Bonds, Series 2003A—Civil Courts Building Project. The proceeds were used to refund all of the outstanding St. Louis Municipal Finance Corporation II (SLMFCII) Leasehold Revenue Improvement Bonds, Series 1994.

Outstanding revenue bonds of the business-type activities of the City as of June 30, 2003 were \$1.063 billion compared to \$980.0 million as of June 30, 2002. This reflects a net total increase of \$83 million, or 8.5%. This amount includes airport bonds of \$961.5 million, Water Division bonds of \$39.0 million, and Parking Division bonds of \$62.5 million.

The City of St. Louis, Missouri
Outstanding Long-term Debt Obligations—Business Type Activities
(dollars in millions)

	Fiscal Year 2003	Fiscal Year 2002	Fiscal Year 2001	2003 vs 2002 % Change
Airport	961.5	896.6	935.0	7.2
Water Division	39.0	41.0	43.0	(4.9)
Parking Division	62.5	42.4	43.3	47.4
Total	1,063.0	980.0	1,021.3	8.5

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The City's authorized debt limit for calendar year 2002 was \$317.6 million. The City's effective legal debt margin as of June 30, 2003 was \$262.9 million. For additional information on long-term debt, refer to the notes 13 to 17 to the basic financial statements.

The City's underlying general obligation credit ratings remained *unchanged* for fiscal year 2003. The City ratings on uninsured general obligation bonds as of June 30, 2003 were:

Moody's Investor's Service, Inc.	A3
Standard and Poor's Corporation	A-
Fitch IBCA, Inc. Ratings	A-

Economic Factors and Next Year's Budget

- The fiscal year 2004 annual operating budget allocates \$824.9 million.
- The fiscal year 2004 general fund budget is \$411.3 million, a decrease of 0.9% over the previous fiscal year.
- No draws on the City's unreserved fund balance have been budgeted. The City's fiscal year 2004 general fund budget does anticipate \$10.0 million in proceeds from a leveraged lease transaction involving the City's convention center and benefits from a one-time refinancing of convention center debt reducing debt payments in the amount of \$8.7 million.
- In July 2003, American Airlines announced that it will reduce daily flights at the airport from 417 to 207.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact the Office of the Comptroller of the City of St. Louis, c/o Deputy Comptroller, City Hall—Room 311, Saint Louis, Missouri 63103.





City of St. Louis, Missouri
Statement of Net Assets
June 30, 2003
(dollars in thousands)

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	SLDC	SLPD	HSTRC	SWMDC
ASSETS							
Cash and cash equivalents	\$ 34,111	15,044	49,155	8,363	156	47	679
Investments	112,322	7,992	120,314	-	2,344	-	420
Receivables, net	122,595	23,179	145,774	12,695	689	538	-
Inventories	-	4,023	4,023	-	649	-	-
Restricted assets	70,082	693,722	763,804	2,672	730	-	-
Deferred charges	5,638	29,733	35,371	-	151	-	-
Internal balances	10,972	(10,972)	-	-	-	-	-
Other assets	51	473	524	613	-	5	-
Receivable from primary government	-	-	-	3,326	4,729	-	-
Receivable from component unit	693	-	693	-	-	-	-
Net pension asset	24,086	-	24,086	-	-	-	-
Property held for development	-	-	-	16,096	-	-	-
Capital assets, net							
Nondepreciable	171,207	1,042,893	1,214,100	4,914	1,646	-	-
Depreciable	559,326	444,130	1,003,456	14,000	22,331	50	5,623
Total assets	<u>1,111,083</u>	<u>2,250,217</u>	<u>3,361,300</u>	<u>62,679</u>	<u>33,425</u>	<u>640</u>	<u>6,722</u>
LIABILITIES							
Accounts payable and accrued liabilities	18,302	35,408	53,710	3,590	298	194	-
Accrued salaries and other benefits	8,690	3,399	12,089	356	4,585	221	-
Accrued interest payable	7,386	25,506	32,892	-	-	-	-
Deferred revenue	8,043	10,079	18,122	-	356	-	-
Other liabilities	1,474	-	1,474	-	331	11	-
Payable to primary government	-	-	-	-	693	-	-
Payable to component units	7,655	400	8,055	-	-	-	-
Long-term liabilities:							
Due within one year	50,854	38,699	89,553	13,062	14,191	-	-
Due in more than one year	583,567	1,030,708	1,614,275	27,875	47,056	-	-
Total liabilities	<u>685,971</u>	<u>1,144,199</u>	<u>1,830,170</u>	<u>44,883</u>	<u>67,510</u>	<u>426</u>	<u>-</u>
NET ASSETS							
Invested in capital assets, net of related debt	326,196	810,651	1,136,847	5,355	17,466	50	5,623
Restricted:							
Asset forfeiture	-	-	-	-	1,954	-	-
Debt service	28,303	159,843	188,146	2,688	718	-	-
Capital projects	63,159	11,475	74,634	-	-	-	-
Passenger facility charges	-	92,107	92,107	-	-	-	-
Other purposes	49,913	-	49,913	-	-	-	-
Unrestricted (deficit)	(42,459)	31,942	(10,517)	9,753	(54,223)	164	1,099
Total net assets	<u>\$ 425,112</u>	<u>1,106,018</u>	<u>1,531,130</u>	<u>17,796</u>	<u>(34,085)</u>	<u>214</u>	<u>6,722</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Activities
For the year ended June 30, 2003
(dollars in thousands)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Units		
				Governmental Activities	Business-type Activities	SLDC	SLPD	HSTRC
Primary Government:								
Governmental activities:								
General government	\$ 69,906	48,332	14,749	(6,825)	-	(6,825)	-	-
Convention and tourism	6,697	-	-	(6,697)	-	(6,697)	-	-
Parks and recreation	20,719	791	326	(16,657)	-	(16,657)	-	-
Judicial	51,124	11,710	7,698	(31,716)	-	(31,716)	-	-
Streets	49,886	5,441	68	(44,377)	-	(44,377)	-	-
Public safety:								
Fire	50,484	2,747	4,202	(43,535)	-	(43,535)	-	-
Police—Payment to SLPD	126,497	-	-	(126,497)	-	(126,497)	-	-
Other	50,202	5,438	2,816	(41,948)	-	(41,948)	-	-
Health and welfare	37,789	1,281	29,197	(7,311)	-	(7,311)	-	-
Public service	67,154	37	-	(57,496)	-	(57,496)	-	-
Community development	59,210	-	45,692	(13,518)	-	(13,518)	-	-
Interest and fiscal charges	30,131	-	-	(30,131)	-	(30,131)	-	-
Total governmental activities	619,799	75,777	104,748	(426,708)	-	(426,708)	-	-
Business-type activities:								
Airport	158,263	179,745	3,244	-	65,089	-	-	-
Water Division	40,887	39,255	-	-	(1,632)	-	-	-
Parking Division	10,099	11,082	-	-	2,278	-	-	-
Total business-type activities	209,249	230,082	3,244	-	65,735	-	-	-
Total primary government	829,048	305,859	107,992	(426,708)	65,735	(360,973)	-	-
Component Units:								
SLDC	35,145	10,448	21,785	-	-	(2,912)	-	-
SLPD	143,278	2,715	5,500	-	-	-	(135,063)	-
HSTRC	10,289	5,592	2,871	-	-	-	-	(1,826)
SWMDC	258	320	-	-	-	-	-	86
Total component units	188,970	19,075	30,156	-	-	(2,912)	(135,063)	86
General revenues:								
Taxes:								
Property taxes, levied for general purpose				46,375	-	-	-	-
Property taxes, levied for debt service				5,644	-	-	-	-
Sales taxes				132,910	-	-	-	-
Earnings/payroll taxes				153,923	-	-	-	-
Gross receipts taxes (includes franchise tax)				57,649	-	-	-	-
Miscellaneous taxes				18,650	-	-	-	-
Unrestricted investment earnings				3,941	23,276	169	115	8
Support provided by City of St. Louis, Missouri				-	-	-	126,497	-
Gain on sale of capital assets				180	-	-	-	-
Transfers				7,511	(7,511)	-	-	-
Total general revenues and transfers				426,783	15,765	169	126,612	8
Change in net assets				75	81,500	(2,743)	(8,451)	94
Net assets—beginning of year				425,037	1,024,518	20,539	(25,634)	6,628
Net assets—end of year				\$ 425,112	1,106,018	17,796	(34,085)	6,722

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Balance Sheet
Governmental Funds
June 30, 2003
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
ASSETS					
Cash and cash equivalents:					
Restricted	\$ 1,343	-	-	11,815	13,158
Unrestricted	2,941	17,180	-	13,990	34,111
Investments:					
Restricted	18,533	38,391	-	-	56,924
Unrestricted	20,311	53,539	21,569	16,903	112,322
Receivables, net of allowances:					
Taxes	86,023	2,561	-	19,363	107,947
Intergovernmental	1,937	2,745	-	773	5,455
Charges for services	400	-	-	2,224	2,624
Notes and loans	-	-	-	332	332
Other	468	5,769	-	-	6,237
Due from component units	693	-	-	-	693
Due from other funds	15,731	-	-	1,491	17,222
Total assets	<u>148,380</u>	<u>120,185</u>	<u>21,569</u>	<u>66,891</u>	<u>357,025</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	2,938	10,221	4,408	315	17,882
Accrued salaries and other benefits	7,329	72	615	674	8,690
Due to component units	4,729	-	-	2,926	7,655
Due to other funds	4,770	287	8,565	282	13,904
Deferred revenue	50,528	3,815	8,043	10,630	73,016
Other liabilities	1,372	-	-	102	1,474
Total liabilities	<u>71,666</u>	<u>14,395</u>	<u>21,631</u>	<u>14,929</u>	<u>122,621</u>
Fund balances:					
Reserved:					
Encumbrances	2,772	37,075	-	2,631	42,478
Debt service	21,863	1,389	-	7,738	30,990
Capital projects	-	57,203	-	-	57,203
Unreserved, reported in:					
General fund	52,079	-	-	-	52,079
Special revenue funds	-	-	(62)	41,593	41,531
Capital projects fund	-	10,123	-	-	10,123
Total fund balances	<u>76,714</u>	<u>105,790</u>	<u>(62)</u>	<u>51,962</u>	<u>234,404</u>
Total liabilities and fund balances	<u>\$ 148,380</u>	<u>120,185</u>	<u>21,569</u>	<u>66,891</u>	<u>357,025</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
For the year ended June 30, 2003
(dollars in thousands)

Total fund balances-governmental funds-balance sheet	\$ 234,404
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and, therefore, are not reported in the fund financial statements.	730,470
Various taxes related to fiscal year 2003 will be collected beyond the 60-day period used to record revenue in the fund financial statements. Revenue for this amount is recognized in the government-wide financial statements.	14,309
Property taxes are assessed by the City on January 1st of each calendar year, but are not due until December 31st. Taxes assessed on January 1, 2003 and payable on December 31, 2003 are deferred within the fund financial statements. However, revenue for this amount is recognized in the government-wide financial statements.	50,664
Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds, generally on a cost-reimbursement basis. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(17,508)
The City reports a net pension asset on the statement of net assets to the extent contributions to the City's retirement plan exceeds the annual required contribution. This asset is not reported within the fund financial statements as it is not available to liquidate current financial obligations.	24,086
Bond issuance costs are reported in the governmental funds financial statements as expenditures when debt is issued, whereas the amounts are deferred and amortized over the life of the debt on the government-wide financial statements.	5,638
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities-both current and long-term-are reported on the government-wide statement of net assets. Also, during the year, the City issued new debt and refunded some of its existing debt. Discounts, premiums, bond issuance costs, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt on the government-wide financial statements.	
Balances as of June 30, 2003 are:	
Accrued compensated absences	(24,511)
Net pension obligation	(7,291)
Accrued interest on bonds	(7,386)
Arbitrage rebate liability	(435)
Landfill closure liability	(220)
Capital lease	(22,964)
Bonds and notes payable	(554,495)
Unamortized discounts	713
Unamortized premiums	(13,269)
Unamortized deferred amounts on refunding	12,907
	<hr/>
Total net assets-governmental activities-statement of net assets	\$ <u><u>425,112</u></u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2003
(dollars in thousands)

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	Capital Projects Fund	Grants Fund	Other Governmental Funds	
REVENUES					
Taxes	\$ 310,932	19,568	-	82,789	413,289
Licenses and permits	15,942	-	-	1,793	17,735
Intergovernmental	13,082	10,518	89,098	2,483	115,181
Charges for services, net	12,340	-	-	12,568	24,908
Court fines and forfeitures	8,680	-	-	243	8,923
Investment income	2,260	677	2	1,002	3,941
Interfund services provided	4,476	-	-	-	4,476
Miscellaneous	7,499	5,004	-	2,185	14,688
Total revenues	<u>375,211</u>	<u>35,767</u>	<u>89,100</u>	<u>103,063</u>	<u>603,141</u>
EXPENDITURES					
Current:					
General government	42,474	-	4,664	12,731	59,869
Convention and tourism	2,201	-	-	143	2,344
Parks and recreation	18,184	-	-	475	18,659
Judicial	41,603	-	5,634	1,880	49,117
Streets	30,005	-	-	583	30,588
Public safety:					
Fire	50,755	-	-	233	50,988
Police	124,489	1,311	-	697	126,497
Other	40,851	-	-	6,585	47,436
Health and welfare	2,705	-	15,012	19,778	37,495
Public services	24,283	-	11,528	30,329	66,140
Community development	-	-	43,622	-	43,622
Capital outlay	-	67,055	-	411	67,466
Debt service:					
Principal	10,781	8,207	2,305	4,299	25,592
Interest and fiscal charges	19,279	7,428	6,335	4,922	37,964
Total expenditures	<u>407,610</u>	<u>84,001</u>	<u>89,100</u>	<u>83,066</u>	<u>663,777</u>
Excess (deficiency) of revenues over expenditures	<u>(32,399)</u>	<u>(48,234)</u>	<u>-</u>	<u>19,997</u>	<u>(60,636)</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	180	-	-	180
Issuance of refunding bonds—leasehold revenue bonds	141,975	-	-	-	141,975
Premium on leasehold revenue bonds	11,251	-	-	-	11,251
Proceeds from capital lease obligations	-	7,070	-	256	7,326
Payment to refunded bond escrow agent	(149,808)	-	-	-	(149,808)
Transfers in	21,025	24,596	-	4,266	49,887
Transfers out	(3,249)	(8,995)	-	(30,132)	(42,376)
Total other financing sources (uses), net	<u>21,194</u>	<u>22,851</u>	<u>-</u>	<u>(25,610)</u>	<u>18,435</u>
Net change in fund balances	<u>(11,205)</u>	<u>(25,383)</u>	<u>-</u>	<u>(5,613)</u>	<u>(42,201)</u>
Fund balances:					
Beginning of year	87,919	131,173	(62)	57,575	276,605
End of year	<u>\$ 76,714</u>	<u>105,790</u>	<u>(62)</u>	<u>51,962</u>	<u>234,404</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2003
(dollars in thousands)

Net change in fund balances—governmental funds—statement of revenues, expenditures, and changes in fund balances \$ (42,201)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets, meeting the capitalization threshold, is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlays, meeting the capitalization threshold, exceeded depreciation expense in the current period. 37,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. These amounts represent the extent to which revenues not providing current financial resources in the current fiscal year exceeded revenues not providing current financial resources in the prior fiscal year (which are recognized in the fund financial statements in the current year). Such amounts are attributable to the following factors:

Revenues received after the 60-day accrual period	5,243	
Property taxes due in the fiscal year following the fiscal year in which they were assessed	3,799	
		9,042

Internal service funds are used by management to charge the cost of risk management and mailroom services to the individual funds. The net loss of internal service funds attributable to governmental activities is reported on the statement of activities. (10,635)

The City reports a net pension asset or obligation on the statement of net assets to the extent actual contributions to the City's retirement plans exceed or fall below the annual required contribution. This asset or obligation is not reported in the fund financial statements. Fluctuations in net pension assets or obligations are reported in the statement of activities. (4,570)

Bond proceeds are reported as financing sources in governmental funds financial statements and thus contribute to the net change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds financial statements but reduces the liability in the statement of net assets.

Debt issued during the current year:		
Refunding leasehold revenue bonds payable	(141,975)	
Capital leases	(7,326)	
Tax increment financing notes payable	(15,656)	
Repayments during the current year:		
Advance refunding of leasehold revenue bonds	142,440	
Annual principal payments on bonds and notes payable	23,349	
Annual principal payments on capital leases	2,243	
		3,075

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

This adjustment combines the net changes of the following:

Accrued compensated absences	4,878	
Accrued interest on bonds	4,484	
Landfill closure liability	(35)	
Discounts on debt issuances, net of amortization	(962)	
Premiums on debt issuances, net of amortization	(10,050)	
Deferred bond issuance costs, net of amortization	1,556	
Deferred advanced refunding differences on debt issuances, net of amortization	8,493	
		8,364

Change in net assets—governmental activities—statement of activities \$ 75

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fund Net Assets
Proprietary Funds
June 30, 2003
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert- St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents:					
Restricted cash and cash equivalents	\$ 140,975	6,239	7,052	154,266	-
Unrestricted cash and cash equivalents	7,981	2,082	4,981	15,044	-
Receivables, net of allowances:					
Intergovernmental	4,342	-	-	4,342	-
Charges for services	13,888	4,593	56	18,537	-
Accrued interest	300	-	-	300	-
Prepaid assets	-	-	-	-	51
Due from other funds	15	-	-	15	11,507
Inventories	2,149	1,874	-	4,023	-
Other current assets	443	30	-	473	-
Total current assets	170,093	14,818	12,089	197,000	11,558
Noncurrent assets:					
Investments:					
Restricted investments	509,725	15,121	14,610	539,456	-
Unrestricted investments	-	7,992	-	7,992	-
Capital assets:					
Property, plant, and equipment	702,193	237,446	37,403	977,042	197
Less accumulated depreciation	(427,468)	(97,224)	(8,220)	(532,912)	(134)
	274,725	140,222	29,183	444,130	63
Land	741,033	1,238	19,396	761,667	-
Construction in progress	267,122	6,895	7,209	281,226	-
Capital assets, net	1,282,880	148,355	55,788	1,487,023	63
Deferred charges and other assets	26,864	533	2,336	29,733	-
Total noncurrent assets	1,819,469	172,001	72,734	2,064,204	63
Total assets	1,989,562	186,819	84,823	2,261,204	11,621
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities	2,860	1,310	48	4,218	420
Accrued salaries and other benefits	2,325	876	198	3,399	-
Accrued vacation, compensatory and sick time benefits	4,664	2,949	146	7,759	-
Contracts and retainage payable	29,014	-	2,176	31,190	-
Accrued interest payable	23,956	927	623	25,506	-
Current portion of revenue bonds	27,725	2,235	980	30,940	-
Due to other funds	3,443	6,423	689	10,555	4,285
Due to component unit	-	-	400	400	-
Claims payable	-	-	-	-	24,856
Deferred revenue	6,799	1,133	2,147	10,079	-
Total current liabilities	100,786	15,853	7,407	124,046	29,561
Noncurrent liabilities:					
Revenue bonds payable, net	930,589	34,704	58,702	1,023,995	-
Deposits held for others	-	1,322	-	1,322	-
Other liabilities	3,771	1,385	235	5,391	-
Total noncurrent liabilities	934,360	37,411	58,937	1,030,708	-
Total liabilities	1,035,146	53,264	66,344	1,154,754	29,561
NET ASSETS					
Invested in capital assets, net of related debt	686,387	111,824	12,440	810,651	63
Restricted:					
Debt service	143,802	8,563	7,478	159,843	-
Capital projects	-	11,475	-	11,475	-
Passenger facility charges	92,107	-	-	92,107	-
Unrestricted (deficit)	32,120	1,693	(1,439)	32,374	(18,003)
Total net assets	\$ 954,416	133,555	18,479	1,106,450	(17,940)

Amounts reported for business-type activities in the government-wide statement of net assets are different because:

Certain internal service fund assets are included within business-type activities

(432)

Net assets of business-type activities—government-wide statement of net assets

\$ 1,106,018

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the year ended June 30, 2003
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert- St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES					
Aviation revenues	\$ 77,147	-	-	77,147	-
Concessions	33,168	-	-	33,168	-
Water sales	-	37,479	-	37,479	-
Lease revenue	16,190	-	-	16,190	-
Parking	1,619	-	11,082	12,701	-
Charges for services	-	-	-	-	35,968
Miscellaneous	-	1,730	-	1,730	-
Total operating revenues	<u>128,124</u>	<u>39,209</u>	<u>11,082</u>	<u>178,415</u>	<u>35,968</u>
OPERATING EXPENSES					
Claims incurred	-	-	-	-	38,860
Premiums	-	-	-	-	4,984
Personal services	41,373	14,539	5,024	60,936	210
Material and supplies	7,107	7,230	171	14,508	340
Purchased power	-	2,133	-	2,133	-
Contractual services	33,135	2,935	772	36,842	2,022
Miscellaneous	-	5,083	199	5,282	-
Depreciation and amortization	31,010	4,347	1,428	36,785	23
Interfund services used	2,199	2,277	-	4,476	-
Total operating expenses	<u>114,824</u>	<u>38,544</u>	<u>7,594</u>	<u>160,962</u>	<u>46,439</u>
Operating income (loss)	<u>13,300</u>	<u>665</u>	<u>3,488</u>	<u>17,453</u>	<u>(10,471)</u>
NONOPERATING REVENUES (EXPENSES)					
Intergovernmental revenue	3,244	-	-	3,244	-
Investment income	20,630	2,180	466	23,276	-
Interest expense	(42,188)	(2,192)	(2,496)	(46,876)	-
Passenger facility charges	50,526	-	-	50,526	-
Amortization of bond issue costs	(1,297)	(80)	-	(1,377)	-
Loss on disposal of capital assets	-	(205)	(15)	(220)	-
Miscellaneous, net	1,095	46	-	1,141	-
Total nonoperating revenues (expenses), net	<u>32,010</u>	<u>(251)</u>	<u>(2,045)</u>	<u>29,714</u>	<u>-</u>
Income before transfers and contributions	<u>45,310</u>	<u>414</u>	<u>1,443</u>	<u>47,167</u>	<u>(10,471)</u>
Transfers in	-	-	474	474	-
Transfers out	(5,260)	(2,200)	(525)	(7,985)	-
Capital contributions	40,363	-	1,295	41,658	22
Change in net assets	80,413	(1,786)	2,687	81,314	(10,449)
Total net assets—beginning of year	874,003	135,341	15,792		(7,491)
Total net assets—end of year	<u>\$ 954,416</u>	<u>133,555</u>	<u>18,479</u>		<u>(17,940)</u>

Change in net assets reported for business-type activities in the government-wide statement of activities are different because:

Certain internal service fund assets are included within business-type activities	186
Change in net assets of business-type activities—government-wide statement of activities	<u>\$ 81,500</u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2003
(dollars in thousands)

	Major Funds—Enterprise Funds				
	Lambert- St. Louis International Airport	Water Division	Parking Division	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 115,092	38,815	10,966	164,873	-
Receipts from interfund services provided	-	-	-	-	38,748
Other operating cash receipts	1,619	-	47	1,666	-
Payments to suppliers of goods and services	(40,690)	(17,866)	(1,853)	(60,409)	(38,837)
Payments to employees	(39,985)	(14,164)	(4,885)	(59,034)	(217)
Payments for interfund services used	(2,743)	(2,331)	-	(5,074)	-
Net cash provided by (used in) operating activities	33,293	4,454	4,275	42,022	(306)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	-	474	474	-
Transfers to other funds	(5,260)	(2,317)	(400)	(7,977)	-
Cash paid for financing of retirement plan	(312)	-	-	(312)	-
Net cash provided by (used in) noncapital financing activities	(5,572)	(2,317)	74	(7,815)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Cash collections from passenger facility charges	50,526	-	-	50,526	-
Receipts from federal financing assistance	40,863	-	-	40,863	-
Acquisition and construction of capital assets	(214,571)	(4,744)	(5,735)	(225,050)	(13)
Proceeds from sale of capital assets	203	25	-	228	-
Proceeds from issuance of revenue bonds payable	225,229	-	19,842	245,071	-
Cash paid for bond issuance and underwriting costs	(4,385)	-	-	(4,385)	-
Repayment of short-term revenue bonds payable	-	-	(2,271)	(2,271)	-
Principal paid on revenue bond maturities	(40,700)	(2,090)	(935)	(43,725)	-
Cash paid for bond refunding	(116,723)	-	-	(116,723)	-
Interest paid on revenue bonds payable	(49,358)	(1,910)	(1,818)	(53,086)	-
Other capital and financing activities	-	53	-	53	-
Net cash provided by (used in) capital and related financing activities	(108,916)	(8,666)	9,083	(108,499)	(13)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,971,007)	107,517	(25,286)	(1,888,776)	-
Proceeds from sales and maturities of investments	2,077,457	1,615	19,282	2,098,354	193
Investment income	20,861	(105,848)	367	(84,620)	-
Net cash provided by (used in) investing activities	127,311	3,284	(5,637)	124,958	193
Net increase (decrease) in cash and cash equivalents	46,116	(3,245)	7,795	50,666	(126)
Cash and cash equivalents:					
Beginning of year:					
Unrestricted	5,758	5,496	2,839	14,093	126
Restricted	97,082	6,070	1,399	104,551	-
	102,840	11,566	4,238	118,644	126
End of year:					
Unrestricted	7,981	2,082	4,981	15,044	-
Restricted	140,975	6,239	7,052	154,266	-
	\$ 148,956	8,321	12,033	169,310	-
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 13,300	665	3,488	17,453	(10,471)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	31,010	4,347	1,428	36,785	23
Changes in assets and liabilities:					
Receivables, net	(5,034)	(421)	(4)	(5,459)	-
Inventories	351	(364)	-	(13)	-
Other assets, net	(69)	-	5	(64)	34
Accounts payable and accrued liabilities	(134)	(710)	(4)	(848)	352
Accrued salaries and other benefits	(84)	50	5	(29)	(7)
Claims payable	-	-	-	-	6,935
Deferred revenue	(620)	(13)	(66)	(699)	-
Due to/from other funds	597	421	(711)	307	2,828
Deposits held for others	-	207	-	207	-
Other long-term liabilities	(6,024)	272	134	(5,618)	-
Total adjustments	19,993	3,789	787	24,569	10,165
Net cash provided by (used in) operating activities	\$ 33,293	4,454	4,275	42,022	(306)

Noncash investing, capital and financing activities:

During the year ended June 30, 2003, the Parking Division received a contribution of property with a fair market value of \$1,295. During the year ended June 30, 2003, Lambert St. Louis International Airport, the Water Division, and the Parking Division recognized gains (losses) on investments in the amounts of \$2,154, \$594, and \$(15), respectively.

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003
(dollars in thousands)

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents—unrestricted	\$ 8,628	24,231
Investments—unrestricted	-	10,902
Pension trust investments—unrestricted:		
U. S. government securities	121,197	-
Corporate bonds	176,747	-
Stocks	610,740	-
Foreign government obligations	46,385	-
Mortgage-backed securities	113,219	-
FHA mortgages	36	-
Collective investment funds	154,896	-
Money market mutual funds	48,242	-
Managed international equity funds	33,666	-
Total pension trust investments	<u>1,305,128</u>	<u>-</u>
Receivables, net of allowances:		
Taxes	-	16,115
Contributions	4,195	-
Accrued interest	5,700	-
Other	5,495	167
Total assets	<u>1,329,146</u>	<u>51,415</u>
LIABILITIES		
Accounts payable and accrued liabilities	2,263	286
Deposits held for others	27	28,578
Due to other governmental agencies	-	22,551
Other liabilities	21,561	-
Total liabilities	<u>23,851</u>	<u>51,415</u>
NET ASSETS		
Net assets held in trust for pension benefits	\$ <u><u>1,305,295</u></u>	<u><u>-</u></u>

See accompanying notes to basic financial statements.

City of St. Louis, Missouri
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2003
(dollars in thousands)

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Members	\$ 6,740
Employers	15,552
Investment income:	
Interest and dividends	38,016
Net depreciation in fair value of investments	<u>(140,762)</u>
	(102,746)
Less investment expense	<u>(5,556)</u>
Net investment income	<u>(108,302)</u>
Total additions	<u>(86,010)</u>
 DEDUCTIONS	
Benefits	87,509
Refunds of contributions	6,250
Administrative expense	<u>2,351</u>
Total deductions	<u>96,110</u>
Net decrease	(182,120)
 Net assets held in trust for pension benefits:	
Beginning of year	<u>1,487,415</u>
End of year	<u>\$ 1,305,295</u>

See accompanying notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of St. Louis, Missouri (the City) is a constitutional charter City not a part of any county, which is organized and exists under and pursuant to the constitution and laws of the State of Missouri (the State). The City's current form of government is provided for in its charter, which first became effective in 1914 and has been subsequently amended by City voters. The City provides a wide range of municipal services as follows: fire and other public safety; parks and recreation; forestry; health, welfare, and other social services; street maintenance; refuse collection; public services; community and economic development; convention and tourism; and general administrative services. The City also owns and operates a water utility, parking facilities, and an international airport as self-supporting enterprises.

The accounting policies and financial reporting practices of the City conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of the more significant policies:

a. Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. These standards identify the City's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The City is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens, on the City. The City's financial reporting entity consists of the City of St. Louis (the primary government) and its component units.

1) Blended Component Units

The component units discussed below are included in the City's reporting entity due to the significance of their operational or financial relationships with the City.

Public Facilities Protection Corporation (PFPC)

The PFPC is an internal service fund governed by a five-member board of persons in designated City positions. The PFPC is reported as if it were part of the primary government because its sole purpose is to provide the City with a defined and funded self-insurance program for claims, judgments, and other related legal matters including workers' compensation.

St. Louis Municipal Finance Corporation (SLMFC)

The SLMFC, established in 1991, is governed by a five-member board, consisting of persons in designated City positions. The SLMFC is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvement thereon, and personal property to the City.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

St. Louis Municipal Finance Corporation (SLMFC—II)

The SLMFC—II, established in 1993, is governed by a five-member board of persons in designated City positions. The SLMFC—II is reported as if it were part of the primary government because its sole purpose is to lessen the burden on the City by financing, acquiring, leasing, or subleasing real property, and improvements thereon, and personal property to the City.

2) Discretely Presented Component Units

The component units columns in the statement of net assets and statement of activities include the financial data of the City's four discretely presented component units. These are reported individually to emphasize that they are legally separate from the City.

St. Louis Development Corporation (SLDC)

The SLDC was organized in 1988 to improve the efficiency and effectiveness of the economic development activity of the City. SLDC combined the administrative staffs of six independent development agencies for the purpose of coordinating administrative services for all six agencies. The agencies that are considered component units of SLDC are the Land Reutilization Authority, the Land Clearance for Redevelopment Authority (LCRA), the St. Louis Industrial Development Authority, the Planned Industrial Expansion Authority, the Local Development Company, and the St. Louis Port Authority. SLDC is included as a component unit of the City due to its operational and financial relationship with the City. The City is financially accountable for SLDC due to their fiscal dependency on the City.

The Metropolitan Police Department of the City of St. Louis, Missouri (SLPD)

The SLPD, established by state statute, is administered by a five-member board of commissioners, the mayor, and four members appointed by the governor. The City is obligated to provide a minimum level of funding for the operations of the SLPD. SLPD's operating budget is prepared and submitted to the City for approval. SLPD has no authority to levy a tax or issue debt in its name and, therefore, is fiscally dependent on the City for substantially all of its funding.

Harry S. Truman Restorative Center, James J. Wilson, City Counselor, Receiver (HSTRC)

The HSTRC is a 220-bed skilled nursing facility operated as a not-for-profit entity supported by the City and located in a City-owned building. Under court-ordered receivership, the City has administrative responsibility for HSTRC and appoints a voting majority of HSTRC's advisory board. This advisory board consists of one representative from each of the offices of the mayor, comptroller, president of the board of aldermen, and the city counselor (the Receiver), as well as two executive employees of HSTRC. The City is able to impose its will on HSTRC.

The dissolution of HSTRC and plan of liquidation was announced on March 13, 2003. HSTRC continued operations until the last resident was discharged on May 9, 2003. Activities relating

to the operations of HSTRC ceased on May 31, 2003. The accompanying financial statements of HSTRC were valued on a liquidation basis and are as of May 31, 2003.

Solid Waste Management and Development Corporation (SWMDC)

The SWMDC owns a system of underground pressurized steam transport pipe in the downtown St. Louis area commonly known as the “steam loop.” The steam loop is leased on a long-term basis to a steam-generating private entity unrelated to the City. The steam loop serves City Hall and other municipal buildings, and is the only non-private source of steam in downtown St. Louis. The City appoints a voting majority of SWMDC’s board of directors. The board of directors consists of representatives of the president of the Board of Public Service (Chairperson), deputy mayor/chief of staff, and director of the Street Department. Separate financial statements are not prepared for SWMDC. SWMDC is directed by employees of the City and, therefore, the City is able to impose its will on SWMDC.

Complete financial statements of the discretely presented component units other than SWMDC may be obtained from their administrative offices as follows:

St. Louis Development Corporation
1015 Locust Street
St. Louis, Missouri 63101

The Metropolitan Police Department of the City
of St. Louis, Missouri
1200 Clark Avenue
St. Louis, Missouri 63103

Harry S. Truman Restorative Center
c/o City Counselor’s Office
City Hall
1200 Market Street
St. Louis, Missouri 63103

3) Related Organizations

The City’s officials are also responsible for appointing the voting majority of board members for other organizations, but the City’s accountability for these organizations does not extend beyond making the appointments. Thus, no financial data for these organizations are included in the City’s basic financial statements. These related organizations include the Mental Health Board, the St. Louis Housing Authority, the St. Louis Office for Mental Retardation & Developmental Disability Resources, and the St. Louis Public Library.

4) Joint Venture

St. Louis Regional Convention and Sports Complex Authority (Authority)

The Authority, established in 1990 as a separate legal entity by an Act of the Missouri State legislature, is governed by an 11-member board of commissioners. The mayor of the City and the county executive of St. Louis County, Missouri (the County) each appoint three members and the governor of the State appoints the remaining five commissioners. The Authority is considered a joint venture of the City, County, and State because the three governments have entered into a contractual agreement with the Authority to sponsor the issuance of convention

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

facility bonds, to repay the facility bonds through rental payments to the Authority, and to make annual preservation payments for facility maintenance and renovations, all of which create an ongoing financial responsibility of the City. The Authority is subject to joint control of the City, County, and State. Complete financial statements for the Authority can be obtained from the Authority's administrative offices at 901 North Broadway, St. Louis, Missouri 63101.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from good, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has determined that the general fund, the capital projects fund, and the grants fund are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds". The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the statement of net assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the statement of activities in the government-wide statements. The City has three enterprise funds (business-type activities): Lambert-St. Louis International Airport (Airport), Water Division, and Parking Division. Each of these enterprise funds is a major fund within the fund financial statements. Additionally, the City has three internal service funds (governmental activities): PFPC, mailroom services, and health. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances/net assets, revenues and expenditures, or expenses. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means

by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

1) Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General Fund—The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund—The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds. This fund accounts for acquisition or construction of capital improvements, renovations, remodeling, and replacement for the City's major capital projects.

Grants Fund—The grants fund is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. The grants fund accounts for the majority of the City's federal grant programs received from the U.S. Department of Health and Human Services, U.S. Department of Housing and Urban Development, U.S. Department of Justice, U.S. Department of Labor, U.S. Department of Transportation, and various other federal agencies.

The other governmental funds of the City are considered nonmajor. They are special revenue funds, which account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes, and a debt service fund, which accounts for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs.

2) Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector. The measurement focus is on the determination of net income and capital maintenance.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The following are the City's proprietary fund types:

Enterprise—Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Airport, the Water Division, and the Parking Division. The Airport is used to account for the activities of the Airport. The principal services provided are financed primarily through landing fees and terminal concession revenues. The Water Division is used to account for sale of water to the general public and the operation of the water delivery system. The Parking Division is used to account for the operation of public parking facilities and parking meters. Each of the enterprise funds is a major fund in the fund financial statements.

Internal Service—Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. An internal service fund has been established for PFPC, mailroom services, and health. The PFPC fund is used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds. The mailroom services fund is used to account for mail-handling services provided to other funds. The health fund is used to account for payment of health insurance claims for participants.

In the government-wide and proprietary fund financial statements, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

3) **Fiduciary Fund Types**

Trust and Agency—Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Firemen's Retirement System of St. Louis, Police Retirement System of St. Louis, and the Employees' Retirement System of the City of St. Louis pension benefits. Agency funds are accounted for using the accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for activities of the collector of revenue, property tax escrow, general insurance, bail bonds, license collector, circuit clerk, and other agency operations.

c. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund, pension trust fund, and agency fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for governmental funds types, and the accrual basis of accounting for the proprietary fund types, pension trust funds, and agency funds.

Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term “available” is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the City, available is defined as expected to be received within 60 days of fiscal year-end, except for government grants, which is within 120 of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due (that is, matured).

GASB Statement No. 33 groups nonexchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The City recognizes assets from derived tax revenue transactions (such as city earnings and payroll taxes, sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated refunds and estimated uncollectible amounts, in the period for which the taxes are levied. Imposed nonexchange revenues also include permits, court fines, and forfeitures.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB Statement No. 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are, therefore, not subject to the provisions of GASB Statement No. 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Under the accrual basis of accounting used by the proprietary fund types and pension trust funds, revenues are recognized when earned and expenses are recognized when incurred. Unbilled service revenues are accrued by the Airport and Water Division based on estimated billings for services provided through the end of the current fiscal year.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport enterprise fund are revenues from airlines, concessions, and parking. Transactions that are capital-, financing-, or investing-related are reported as nonoperating revenues. The principal operating revenues of the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds are charges to customers for sales and services. All expenses related to operating the Airport enterprise fund are reported as operating expenses. Interest expense, financing costs, and miscellaneous expenses are reported as nonoperating expenses. Operating expenses for the Water Division enterprise fund, the Parking Division enterprise fund, and internal service funds include the cost of sales and services, administrative expenses, and depreciation and amortization. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which the contributions are due and benefits are recognized when they become due and payable.

Component Units – SLDC, SLPD, HSTRC and SWMDC

The SLDC, HSTRC, and SWMDC proprietary funds are recorded on the accrual basis of accounting.

d. Property Taxes

Taxes are levied annually in November based on the assessed valuation of all real and personal property located in the City as of the previous January 1. The City tax rate levied in November 2002 was \$1.6087 per \$100 of assessed valuation of which \$1.4574 is for the general fund and \$.1513 is for the debt service fund. Taxes are billed in November and are due and collectible on December 31. All unpaid taxes become delinquent on January 1 of the following year and attach as an enforceable lien on the related property at that date.

e. Cash and Investments

The City treasurer maintains a cash and investment pool that is available for use by all funds including certain component units, except pension trust funds. In accordance with the City's budget ordinance the majority of investment income is considered earned by the general fund except for earnings otherwise legally restricted for a specific purpose. Income from investments associated with one fund is not assigned to another fund for other than legal or contractual reasons. In addition, cash and investments are separately maintained by other City officials, several of the City's departments and third-party trustee and fiscal agents.

Investments are recorded at fair value. Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments.

f. Inventories

Purchase of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. For the enterprise fund type, inventories are recorded at cost using a method that approximates the first-in, first-out method or the moving average cost method, and the expense is recognized when inventories are consumed in operations.

g. Capital Assets

1) Governmental Activities Capital Assets

Capital assets, which include buildings, improvements, equipment, and infrastructure assets (for example, roads, bridges, docks, promenade, traffic signals, and similar items), are reported in the governmental activities column in the government-wide financial statements, net of accumulated depreciation. Capital assets are defined by the City as assets with an estimated useful life in excess of one year with an initial, individual cost of \$5 or more, infrastructure with a cost of \$500 or more, building improvements with a cost of \$100 or more, and all land, land improvements, and buildings.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. General infrastructure assets acquired prior to July 1, 2001 consist of the road network and other infrastructure assets that were acquired or that received substantial improvements subsequent to June 30, 1980 and are reported at estimated historical cost using deflated replacement cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The City has determined that all works of art and historical treasures other than the City's statues, monuments, and fountains meet the definition of a collection and, accordingly, has not capitalized these assets. A collection is defined as:

- Held for public exhibition and education;
- Protected, cared for, and preserved; and
- Subject to an organizational policy that requires the proceeds from the sale to be used to acquire other items for the collection.

The City has adopted a policy related to the sale of these assets, stating that the proceeds from the sale of any City-owned collections, in part or in its entirety, will be used for the acquisition of collection items.

All City-owned statues, monuments, and fountains are capitalized at their historic cost based upon original acquisition or construction documents or estimates of original costs. Because of the nature of these assets and the manner in which the City maintains its historic treasures, these assets are considered inexhaustible and, therefore, are not subject to depreciation.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets, except for roads, which is computed using the composite method. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings	40
Improvements other than buildings	20 to 40
Equipment	5 to 15
Infrastructure	18 to 50

2) Business-type Activities Capital Assets

Capital assets for the Airport, Water Division, Parking Division, and mailroom are reported in the business-type activities column in the government-wide financial statements, net of accumulated depreciation.

3) Airport

Capital assets are recorded at cost. Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Land is recorded at cost that, in addition to the purchase price, includes appraisal and legal fees, demolition, and homeowner relocation costs. Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and amortized over the life of the related asset. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Pavings	18 to 25
Buildings and facilities	20 to 30
Equipment	2 to 20

4) Water Division

Capital assets were originally recorded in the accounts in 1958, and were based on an engineering study of the historical cost of properties constructed by employees of the Water Division. Accumulated depreciation at the date the assets were recorded was established after a review by a consulting firm.

Additions to capital assets subsequent to 1958 are recorded at historical cost. Provisions for depreciation of capital assets are computed on a straight-line basis over the estimated useful lives of the assets and are charged to operating expenses. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and structures	44 to 55
Reservoirs	44 to 55
Boiler plant equipment	44 to 55
Pumping equipment	28 to 44
Purification basins and equipment	50 to 100
Water mains, lines, and accessories	50 to 100
Equipment	5 to 25
Motor vehicle equipment	5

Net interest costs on funds borrowed to finance the construction are capitalized and depreciated over the life of the related asset.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

5) Parking Division

Capital assets are recorded at historical cost, including applicable interest incurred during the construction period. Donated capital assets are recorded at estimated fair market value at the date of donation. The contributions are reflected as capital contributions. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful lives of depreciable capital assets are as follows:

	<u>Years</u>
Buildings and parking garages	20 to 40
Equipment	5 to 15
Parking meters and lot equipment	5 to 10

6) Mailroom

Capital assets are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the various classes of assets. The estimated useful life of equipment, other than computer equipment, is 10 years. The estimated useful life of computer equipment is five years.

7) Component Unit—SLDC

SLDC's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost. Historically, SLDC maintained infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair market value on the date donated. SLDC generally capitalizes assets with costs of \$2,500 (not in thousands) or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

	<u>Years</u>
Buildings and structures	40
Improvements other than buildings (includes infrastructure)	3 to 15
Furniture, fixtures, and equipment	5 to 10

8) Component Unit—SLPD

Capital assets are capitalized at cost or estimated historical cost. Donated capital assets are valued at estimated fair market value as of the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets over the capitalization levels are depreciated. SLPD's capitalization threshold is \$5.

Depreciation is computed using the straight-line method (with the ½-year convention election applied in the first and last year) over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	50 to 100
Furniture and fixtures and other equipment	5
Automotive equipment	3
Communication equipment	5
Computer and software	3
Aircraft	6

9) Component Unit—HSTRC

Capital assets are depreciated on the straight-line basis over the estimated useful lives of each asset. Donated property and equipment are reported at fair value as an increase to unrestricted net assets. At May 31, 2003, HSTRC's capital assets are valued on a liquidation basis.

10) Component Unit—SWMDC

Capital assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives to the depreciable capital assets. The estimated useful lives of infrastructure is 30 to 40 years.

h. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets/statement of fund net assets.

i. Passenger Facility Charges (PFCs)

The Airport collects a \$4.50 (in dollars) facility charge per enplaned passenger to fund approved Federal Aviation Administration (FAA) projects. The PFC is withheld by the respective airlines for each ticket purchased and passenger transfer made in St. Louis and remitted to the Airport one month after the month of receipt, less an \$.08 (in dollars) per ticket operating fee retained by the airlines. As information pertaining to PFC activity is not available to the Airport prior to receipt of PFC remittances from the airlines, PFC revenue is recognized as received, and is classified as nonoperating revenue.

j. Capital Contributions

Capital contributions to the proprietary fund type represent government grants and other aid used to fund capital projects. Capital contributions are recognized as revenue when the expenditure is made and amounts become subject to claim for reimbursement. Amounts received from other governments, which are not restricted for capital purposes, are reflected as nonoperating intergovernmental revenue.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

k. Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental fund types within the fund financial statements.

l. Amortization

In government-wide financial statements and the proprietary fund types in the fund financial statements, bond discounts are recorded as a reduction of the debt obligation and bond issuance costs are recorded as a deferred charge. Such amounts are amortized using the interest method or bonds-outstanding method over the term of the related revenue bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the bonds-outstanding method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

m. Compensated Absences

The City grants vacation to full-time and part-time employees who work 50% of full-time or more based on years of continuous service. Compensatory time is granted to certain employees for hours worked in excess of a normal week that are not taken within the current bi-weekly pay period. These benefits are allowed to accumulate and carry over, with limitations, into the next calendar year and will be paid to employees upon departure from service for any reason. The entire accrued benefit liability related to the City's compensated absences has been recorded in the government-wide financial statements and in the proprietary funds in the fund financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (that is, matured) during the fiscal year ended June 30, 2003.

Nonuniformed employees retiring after June 30, 2001 who have an unused sick leave balance may, at retirement, elect to receive payment for one-half of the sick leave balance. As an estimate of the portion of sick leave that will result in termination payments, a liability has been recorded on the government-wide financial statements and the proprietary funds in the fund financial statements within accounts payable and accrued expenses representing one-half of the accumulated sick leave balances for those employees who will be eligible to retire within five years.

Component Unit—SLPD

Banked overtime is granted to certain employees for hours worked in excess of their normal workday that are not taken within the current bi-weekly pay period. Banked overtime is allowed to accumulate up to 40 hours and will be paid to employees upon resignation, retirement, or death.

Both commissioned and civilian employees accumulate sick leave hours and will be paid a minimum of 25% of their unused sick leave upon termination of employment. The liability for accrued sick leave pay has been calculated using the vesting method. Commissioned and civilian employees retiring from SLPD with 1600+ hours of sick leave accrued and 20+ years of service will be paid 25% of their unused sick leave plus one additional month's salary. Commissioned employees retiring from SLPD with 2200+ hours of sick leave accrued and 30+ years of service will be paid 50% of their unused sick leave. Civilian employees retiring from SLPD with 2200+ hours of sick leave accrued and 85 points (years of service plus age) or age 65 will be paid 50% of their unused sick leave.

n. Encumbrances

Within the governmental fund financial statements, fund balance is reserved for outstanding encumbrances, which serves as authorization for expenditures in the subsequent year. Of encumbrances outstanding at year-end, \$3,123 will remain in force and will be liquidated under the current year's budget and \$39,355 will automatically be reappropriated and re-encumbered as part of subsequent year budgets.

o. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

1) Transfers

Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

2) Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the City.

Within the accompanying activity from the statement of activities, direct expenses are not eliminated from the various functional categories. Indirect expenses are eliminated from the various functional categories.

Certain internal payments are treated as program revenues, such as internal services provided and used. Certain internal payments are treated as a reduction of expense, such as reimbursements.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

p. Reserved Fund Balance

Within the governmental fund financial statements, reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriation and is legally segregated for a specific future use. In addition to encumbrances, reserved fund balances at June 30, 2003 are comprised of the following:

1) General Fund

Cash and investments with trustees to be used for debt service related to the Convention Center, the Kiel Site Project, the Argyle, Kiel and 7th and Pine parking garages, Civil Courts, Justice Center, Carnahan Courthouse, and Firemen's System Revenue Bonds.

2) Capital Projects Fund

Cash and investments with trustees to be used for debt service and construction related to the Forest Park Redevelopment, Justice Center construction, and Carnahan Courthouse construction. Reserved fund balance also includes proceeds of capital improvement sales tax restricted for construction.

3) Other Governmental Funds

Cash and investments with a trustee to be used for debt service of the Scullin Tax Increment Financing Bonds and other bond principal payments.

q. Statement of Cash Flows

For the purpose of the statement of cash flows, cash and cash equivalents are defined as all highly liquid investments (including restricted assets) with a maturity of three months or less at the date of purchase.

r. Use of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenue, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

s. Individual Fund Deficit

At June 30, 2003, the grants fund has a deficit fund balance of \$62. This amount will be offset by future revenues. Additionally, the PFPC internal service fund and the health internal service fund have deficit net assets of \$7,694 and \$10,309, respectively. These accumulated deficits will be offset by charges for services to other funds in future years.

2. DEPOSITS AND INVESTMENTS

While certificates of deposit are defined as investments for the statement of net assets/balance sheet/statement of fund net assets classification and cash flow purposes, for custodial risk disclosure they are shown as

deposits. In addition, money market mutual funds are classified as cash deposits (for all funds except pension trust funds) on the statement of net assets/balance sheet/statement of fund net assets, but as investments for custodial risk disclosure.

At year-end, the carrying amount of cash deposits was \$232,018 and the bank balances totaled \$236,773. Of the bank balance, \$1,324 was insured by the Federal Depository Insurance Corporation (FDIC), \$234,746 was covered by collateral held by the pledging bank's trust department or agent in the City's name, and \$703 was covered by collateral held by the pledging bank's trust department or agent in the pledging bank's name.

State statutes and City investment policies authorize the deposit of funds in financial institutions and trust companies. For City funds other than pension trust funds, investments may be made in obligations of the United States Government or any agency or instrumentality thereof, or bonds of the State or any city within the state with a population of 400,000 inhabitants or more, certificates of deposit, commercial paper, bankers acceptances, money market mutual funds, or state investment pools, provided that no such investment shall be purchased at a price in excess of par. In addition, the City may enter into a repurchase agreement maturing and becoming payable within 90 days secured by United States Treasury obligation or obligations of the United States Government agencies or instrumentalities, of any maturity, as provided by law. Pension trust funds are authorized to invest in the following:

- United States Government securities;
- Non-U.S. fixed income securities;
- Common stocks of corporations organized under the laws of the United States;
- Common stocks of foreign corporations through commingle fund investments;
- Publicly issued corporation bonds, debentures, notes, or other evidence of indebtedness assumed or guaranteed by corporations organized under the laws of the United States with ratings of "A" or better by Moody's Investors Service; and
- Short-term securities with a maximum maturity of one year including institutional liquid assets, United States Treasury obligations, federal agency obligations, discount and interest-bearing notes from corporations, and certificates of deposit.

The Firemen's Retirement System of St. Louis, a pension trust fund (the Firemen's System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Firemen's System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of credit, or government securities is received and held by a financial institution. The collateral maintained is at least 100% of the market value of the securities lent. The Firemen's System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Firemen's System continues to earn income on the loaned security. In addition, the Firemen's System receives 60% of the net lending fees generated by each loan of securities. At the Firemen's System's fiscal year end, \$35,284 in loans were outstanding to borrowers. The Firemen's System earned income of \$63 for its participation in the securities lending program for the year ended August 31, 2002.

The Police Retirement System of St. Louis, a pension trust fund (the Police System), participates in securities lending programs in order to enhance investment yield. In a securities lending transaction, the Police System transfers possession—but not title—of the security to the borrower. Collateral consisting of cash, letter of

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

credit, or government securities is received and held by a financial institution. The broker/dealer collateralizes their borrowing (usually in cash) to 102% of the security value plus accrued interest and this collateral is adjusted daily to maintain the 102% level. The Police System maintains all the rights in the collateral of a secured lender under the Uniform Commercial Code. The Police System continues to earn income on the loaned security. In addition, the Police System receives 70% of the net lending fees generated by each loan of securities. The financial institution receives the remaining 30% of the net lending fees as compensation for its services provided in the securities lending program. The financial institution indemnifies operational risk and counter-party risk. The Police System authorizes the lending of domestic securities, U. S. Treasuries, corporate bonds, and equities. The Police System does not have the ability to pledge or sell collateral securities without borrower default. Therefore, for accounting purposes, the financial statements do not reflect an increase in assets or liabilities associated with securities lent. At September 30, 2002, outstanding loans to borrowers were \$81,951. The Police System earned income of \$117 for its participation in the securities lending program for the year ended September 30, 2002.

City funds in the form of cash on deposit or certificates of deposit are required to be insured or collateralized by authorized investments held in the City's name. Actual investment decisions are made by the City treasurer, City comptroller, circuit clerk, and the City's trustees and fiscal agents.

The City's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counter party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counter party, or by its trust department or agent, but not in the City's name.

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2003
(dollars in thousands)

	Category			Total Carrying Value
	1	2	3	
Investments:				
U.S. Government agency securities	\$ —	617,351	—	617,351
Commercial paper	—	7,250	—	7,250
Pension trust funds investments:				
U.S. Government securities	—	—	121,197	121,197
Corporate bonds	—	—	176,747	176,747
Stocks	—	—	610,740	610,740
Foreign government obligation	—	—	46,385	46,385
Mortgage-backed securities	—	—	113,219	113,219
	<u>\$ —</u>	<u>624,601</u>	<u>1,068,288</u>	<u>1,692,889</u>
Money market mutual funds				120,415
Pension trust funds investments:				
FHA mortgages				36
Collective investment funds				154,896
Money market mutual funds				48,242
Managed international equity funds				<u>33,666</u>
Total investments (excluding certificates of deposit)— primary government				<u>\$ 2,050,144</u>

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The following is a reconciliation of the City's deposit and investment balances of June 30, 2003:

	Cash and Investments	Investments	Restricted Assets	Total
Bank deposits	\$ 48,063	102,995	80,960	232,018
Investments	33,951	1,333,349	682,844	2,050,144
	<u>\$ 82,014</u>	<u>1,436,344</u>	<u>763,804</u>	<u>2,282,162</u>

	Government-wide Statement of Net Assets	Fiduciary Funds Statement of Fiduciary Net Assets	Total
Cash and cash equivalents	\$ 49,155	32,859	82,014
Investments	120,314	1,316,030	1,436,344
Restricted assets (noncurrent)	763,804	—	763,804
	<u>\$ 933,273</u>	<u>1,348,889</u>	<u>2,282,162</u>

a. Component Unit—SLDC

At June 30, 2003, the carrying amount of SLDC's cash deposits was \$11,008 and the bank balance was \$11,698. Of the bank balance, \$774 was covered by federal depository insurance and \$10,924 was covered by collateral held by the pledging institution's trust department or agent in SLDC's name.

State statutes and SLDC investment policies are the same as for the primary government. SLDC funds, in the form of cash on deposit or certificates of deposit, are required to be insured or collateralized by authorized investments held in SLDC's name.

SLDC's investments are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2003. These categories are the same as for the primary government.

	Category			Total Carrying Value
	1	2	3	
Stock	\$ —	27	—	27

At June 30, 2003, the fair value of all investments approximates the carrying amount.

b. Component Unit—SLPD

At June 30, 2003, the carrying amount of SLPD's cash deposits was \$156 and the bank balances were \$566. Of the bank balances, \$300 was insured by the FDIC and the remainder was covered by collateral pledged by financial institutions and held by the financial institution's trust department or the Federal Reserve Bank in SLPD's name, except for \$70, which was neither covered by FDIC or covered by pledged collateral.

State statutes and City investment policies are the same as for the primary government. SLPD funds in the form of cash on deposit or time certificates of deposit are required to be insured or collateralized by authorized investments held in SLPD's name. Actual investment decisions are made by the director of budget and finance, the board of police commissioners, and SLPD's fiscal agents.

SLPD's investments are categorized below to give an indication of the level of custodial credit risk assumed at year-end. These categories are the same as for the primary government.

	Category			
	1	2	3	Fair
Investments:				
Federal home loan note	\$ —	2,344	—	2,344
U.S. Government agencies	12	—	—	12
Total investments	<u>\$ 12</u>	<u>2,344</u>	<u>—</u>	<u>2,356</u>
Mutual fund:				
Fidelity treasury mutual fund				718
				<u>\$ 3,074</u>

c. Component Unit—HSTRC

At June 30, 2003, the carrying amount of HSTRC's cash deposits was \$47 and was insured by the FDIC.

d. Component Unit—SWMDC

At June 30, 2003, the carrying amount and bank balance of SWMDC's cash deposits was \$679. Of the bank balance, \$100 was insured by the FDIC and \$579 was uncollateralized.

SWMDC's investments of \$420 at year-end consisted entirely of U.S. Government securities, and were held by the bank's trust department in SWMDC's name (category 2).

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

3. RECEIVABLES, NET

	<u>Taxes</u>	<u>Intergovern- mental</u>	<u>Charges for Services</u>	<u>Notes and Loans</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental activities:						
General fund	\$ 86,023	1,937	400	—	468	88,828
Capital projects fund	2,561	2,745	—	—	5,769	11,075
Other governmental funds	19,363	773	2,224	332	—	22,692
Total governmental activities	<u>\$ 107,947</u>	<u>5,455</u>	<u>2,624</u>	<u>332</u>	<u>6,237</u>	<u>122,595</u>
Business-type activities:						
Airport	\$ —	4,342	13,888	—	300	18,530
Water Division	—	—	4,593	—	—	4,593
Parking Division	—	—	56	—	—	56
Total business-type activities	<u>\$ —</u>	<u>4,342</u>	<u>18,537</u>	<u>—</u>	<u>300</u>	<u>23,179</u>

All amounts are scheduled for collection during the subsequent fiscal year.

4. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which has been deducted from the related receivable in the government-wide statement of net assets and fund financial statements, consists of the following balances:

Governmental activities:

Taxes receivable—general fund	\$ 1,013
Taxes receivable—other governmental funds	143
Charges for services receivable—other governmental funds	33

Business-type activities:

Charges for services receivable—Airport	550
Charges for services receivable—Water Division	<u>2,137</u>
	<u>\$ 3,876</u>

5. COMPONENT UNIT—SLDC RECEIVABLES

SLDC receivables consist principally of Small Business Administration (SBA) loans and various other commercial loans made to third parties to facilitate development activities. The commercial loans were financed utilizing funds provided by the Community Development Agency (CDA) of the City, the Economic Development Administration, and the State of Missouri. The proceeds from any repayment of these loans are payable back to the funding source. Thus, a corresponding liability has been recorded.

6. RESTRICTED ASSETS

a. Airport

Cash and investments, restricted in accordance with City ordinances and bond provisions, are as follows at June 30, 2003:

Airport bond fund:	
Debt service account	\$ 79,816
Debt service reserve account	63,986
Airport renewal and replacement fund	3,500
Passenger facility charge fund	4,607
Airport development fund	47,731
Airport construction fund	449,210
Airport contingency fund	1,850
	<u>\$ 650,700</u>

City ordinances require that revenues derived from the operation of the Airport be deposited into the unrestricted Airport revenue fund. From this fund, the following allocations are made (as soon as practicable in each month after the deposit of revenues but no later than five business days before the end of each month) in the following order of priority:

- 1) Unrestricted Airport operation and maintenance fund: an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) Airport bond fund: for credit to the debt service account if and to the extent required so that the balance in said account shall equal the accrued aggregate debt service on the bonds, to the last day of the then current calendar month. This account shall be used only for payment of bond principal and interest as the same shall become due.
- 3) Airport bond fund: for credit to the debt service reserve account: an amount sufficient to maintain a balance in such account equal to the debt service reserve requirement (an amount equal to the greatest amount of principal and interest due in any future fiscal year). This account shall be available for deficiencies in the debt service account on the last business day of any month, and the balance shall be transferred to the debt service account whenever the balance in the debt service account (before the transfer) is not sufficient to fully pay all outstanding bonds.
- 4) Airport renewal and replacement fund: an amount equal to \$57; provided that no deposit shall be required to be made into said fund whenever and as long as uncommitted monies in said fund are equal to or greater than \$3,500 or such larger amount as the City shall determine is necessary for purposes of said fund; and provided further that, if any such monthly allocation to said fund shall be less than the required amounts, the amount of the next succeeding monthly payments shall be increased by the amount of such deficiency. This fund shall be used for paying costs of renewal or replacement of capital items used in connection with the operation of the Airport.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

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- 5) A subaccount in the Airport revenue fund: an amount determined from time-to-time by the City, such that if deposits were made in amounts equal to such amount in each succeeding month during each Airport fiscal year, the balance in such subaccount shall equal the amounts payable to the City with respect to such Airport fiscal year for the payment of 5% of gross receipts from operations of the Airport. A maximum of 80% of the monthly transfer to this subaccount may be paid to the City during the Airport's fiscal year. The final installment may only be paid to the City upon delivery of the Airport's audited financial statements to the Airport bond fund trustee.
- 6) Airport contingency fund: an amount determined at the discretion of Airport management, to be used for the purchase or redemption of any bonds; payments of principal or redemption price of interest on any subordinated debt; improvements, extensions, betterments, renewals, replacements, repairs, maintenance, or reconstruction of any properties or facilities of the Airport; or the provision of one or more reserves. These funds can also be used for any other corporate purpose of the Airport, the local airport system, or other local facilities that are owned or operated by the City and are directly related to the actual transportation of passengers or property.
- 7) The remaining balance in the revenue fund shall be deposited into the Airport development fund. This fund shall be used for extensions and improvements to the Airport, including equipment acquisition.

City ordinances provide that, in the event the sum on deposit in the Airport bond fund—debt service and debt service reserve accounts are insufficient to pay accruing interest, maturing principal or both, the balance in the Airport contingency fund, Airport development fund, and Airport renewal and replacement fund may be drawn upon, to the extent necessary, to provide for the payment of such interest, principal, or both. Any sums so withdrawn from these accounts for said purposes shall be restored thereto in the manner provided for in their original establishment. City ordinances also provide that the principal proceeds from the sale of Airport revenue bonds shall be held in the Airport construction fund from which they shall be disbursed for the purposes contemplated in these ordinances.

b. Water Division

Cash and investments restricted in accordance with City ordinances at June 30, 2003 are as follows:

Bond funds:	
Waterworks bond and interest Account	\$ 4,299
Water revenue bond reserve account	3,564
Water replacement and improvement account	<u>700</u>
Total bond funds	8,563
Construction funds	11,475
Customer deposits	<u>1,322</u>
	<u>\$ 21,360</u>

City ordinances require that revenues derived from the operation of the Waterworks System be deposited in the waterworks revenue account. From this account, the following allocations are made on the first business day of each month in the following order of priority:

1) 1994 Water Revenue Bond Funds

- 1) To the unrestricted waterworks operations and maintenance account, an amount sufficient to pay the estimated operation and maintenance expenses during the next month.
- 2) To the waterworks bond and interest account, an amount at least equal to one-sixth of the amount of interest that will come due on the next interest payment date, plus an amount at least equal to one-twelfth of the aggregate principal amount of bonds that will come due on the next bond maturity date. This account is to be used only for the payments of bonds principal and interest, as the same shall become due.
- 3) To the water revenue bond reserve account, a sum equal to the maximum principal and interest coming due on any fiscal year on the bonds.
- 4) To the water replacement and improvement account, an amount equal to \$25 per month until the account balance aggregates \$700. This account shall be used for making replacements, extensions, and improvements to the waterworks system, and for the purpose of meeting unforeseen contingencies and emergencies arising in the operation of the waterworks system of the City.
- 5) The remaining balance in the waterworks revenue fund is to be deposited into the unrestricted water contingent account. This account shall be used for paying the cost of the operation, maintenance, and repair of the waterworks system; paying the cost of extending, improving, or making replacements to the waterworks system; preventing default in, anticipating payments into, or increasing the amounts in the other accounts; paying any gross receipts tax now or hereafter levied by the City; paying the principal or the interest on any subordinate or junior lien bonds; paying any redemption premium due on the bonds; or any other lawful purpose for use by the waterworks system.

2) 1998 Water Revenue Bond Funds

To the Water Revenue Bond Reserve Account, a sum equal to the maximum principal and interest coming due in any fiscal year on the bonds.

3) Construction Funds

City ordinances also provide that the principal proceeds from the sale of Series 1994 Revenue Bonds and amounts appropriated from the water contingent account shall be held in the construction fund from which they shall be disbursed for the purposes contemplated in these ordinances.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

4) Customer Deposits

City ordinances provide that amounts paid by customers as deposits on water meters, construction and unclaimed meter deposits be held in escrow until such time as they are returned to customers in the form of cash or as a credit on the applicable customer's water bill.

5) Service Line Maintenance

In accordance with a City ordinance, the Water Division collects a \$3.00 (in dollars) per quarter surcharge from flat-rate and metered residential customers having six or less dwelling units. These funds are deposited in the service line maintenance account. This account, including interest earned, is used to pay for the repair of certain portions of the water lines for these customers.

c. Parking Division

Cash and investments restricted in accordance with revenue bond indentures at June 30, 2003 are as follows:

Debt service reserve	\$ 6,543
Construction	9,872
Debt service	1,465
Parking trust—Parking Division accounts	3,782
	<u>\$ 21,662</u>

The June 30, 2003 restricted assets are required by the Series 2002, 1999, 1998, and 1996 bond indentures. Descriptions of the above funds are as follows:

- 1) Debt service reserve—Maintains funds from the proceeds of the respective bond series to be available to pay principal of and interest on the respective bonds if other funds are not available.
- 2) Construction—Used to pay construction costs to complete the respective projects.
- 3) Debt service – Monies deposited into this account pay principal and accrued and unpaid interest on the respective bonds.
- 4) Parking trust—Parking Division accounts – Maintains funds transferred from the respective bond account to be available to pay principal and interest on the respective refunded bonds if other funds are not available.

The Series 1999, 1998, and 1996 Bond indentures specify how funds are to be deposited into these restricted accounts. Payment for the bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all net project revenues and, by the 10th business day of each month, the treasurer is required to deposit into the treasurer's parking facilities debt service account such net project revenues in the following order of priority, first for transfer to the trustee for deposit (a) into the debt service fund for each series of bonds outstanding the amount of monies required to meet the debt service requirements for such series for at least one bond year; (b) into the debt service reserve fund for each series of bonds outstanding amounts, if any, required to cure any deficiency in such debt service reserve fund; (c) into the series account in the parking trust fund for each series of bonds outstanding to repay, on a pro rata basis, but subject to the Indenture, any amounts drawn from the Parking Division account in the parking trust fund and the TVB account in the parking trust fund in connection with with bonds; and (d) into the treasurer's parking facilities renewal and replacement account to the extent required in the indenture. If there are insufficient net project revenues to make the payments provided herein as the same become due, a pro rata amount shall be deposited for each series of bonds and the treasurer shall pay out of the net project revenues received by the treasurer during the next succeeding months, to the extent there are surplus funds remaining after the required deposits for such months, such sums as are necessary to make up such shortfalls.

The Series 2002 Bonds are subordinated bonds, meaning that Parking Division revenues are applied to the Series 2002 Bond accounts only after the other bond accounts have been satisfied. Payment for the Series 2002 Bonds will be made first from net project revenues. The treasurer is required to collect on a daily basis all receipts from the financed facilities and deposit such funds in the treasurer's parking facilities subordinated revenue account. By the 10th day of each month, net project revenues attributable to the financed facilities, on a modified cash basis, for the preceding month, shall be transferred to the trustee for deposit in the net project revenues account of the revenue fund. Promptly upon receipt, the trustee shall transfer monies held in the net project revenues account, first, to the interest account of the debt service fund until the amount on deposit in such account equals the amount required to pay interest on the bonds on the next interest payment date and, second, to the principal account of the debt service fund until the amount on deposit therein equals the amount required to pay the principal of, including any redemption premium related to, the bonds on the next principal payment date which is not more than one year after the date of deposit. Any monies remaining after such deposits shall be transferred, first, to the debt service reserve fund until the amount on deposit therein is equal to the debt service reserve fund requirement, second, to the special reserve fund, if and to the extent required by the indenture, third, to the treasurer's parking facilities subordinated renewal and replacement account, until the amount on deposit therein is equal to the amount (if any) established by the treasurer based on the recommendation of a consultant selected by the Parking Commission of the City of St. Louis and any monies remaining thereafter shall then be released to the treasurer free and clear of the lien of the indenture.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

d. Component Unit—SLDC

Restricted cash and investments at June 30, 2003 are as follows:

Bond funds	\$ 2,210
Interest trust	337
Line of credit interest reserve	125
	<u>\$ 2,672</u>

e. Bond Funds

Cash and investments restricted in accordance with the SLDC Parking Facilities Revenue Refunding Bonds, Series 1999, Bond Indenture consist of a bond reserve account in the amount of \$2,210.

The revenue bond indenture requires that gross operating revenues be paid to the bond trustee for deposit in the parking facility fund. From this fund, the revenues are to be applied by the trustee to various reserve accounts including principal and interest, repair and replacement, and operating reserve up to specified limits.

SLDC is also required to maintain on deposit at a bank in an interest trust account a minimum amount based on the outstanding loan balance. Any deficiency in the balance is required to be replaced within 30 days. At June 30, 2003, the balance in the interest trust account was \$337.

7. CAPITAL ASSETS

The following is a summary of changes in capital assets—governmental activities for the year ended June 30, 2003:

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Governmental activities:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 77,332	213	—	—	77,545
Construction in progress	153,676	55,832	—	(118,187)	91,321
Works of art	2,211	—	—	130	2,341
Total capital assets not being depreciated	<u>233,219</u>	<u>56,045</u>	<u>—</u>	<u>(118,057)</u>	<u>171,207</u>
<i>Capital assets being depreciated:</i>					
Buildings	275,608	547	—	93,393	369,548
Improvements other than buildings	27,605	—	—	304	27,909
Equipment	92,134	6,733	(4,044)	—	102,911
Infrastructure	330,452	4,154	—	24,360	358,966
Total capital assets being depreciated	<u>725,799</u>	<u>11,434</u>	<u>(4,044)</u>	<u>118,057</u>	<u>859,334</u>
<i>Less accumulated depreciation for:</i>					
Buildings	73,663	7,050	—	—	80,713
Improvements other than buildings	11,592	676	—	—	12,268
Equipment	31,228	5,726	(3,202)	—	40,156
Infrastructure	149,014	16,173	—	—	165,187
Total accumulated depreciation	<u>265,497</u>	<u>29,625</u>	<u>(3,202)</u>	<u>—</u>	<u>298,324</u>
Total capital assets being depreciated, net	<u>460,302</u>	<u>(18,191)</u>	<u>(842)</u>	<u>118,057</u>	<u>561,010</u>
Governmental activities capital assets, net	<u>\$ 693,521</u>	<u>37,854</u>	<u>(842)</u>	<u>—</u>	<u>732,217</u>

Construction in progress consists primarily of the Justice Center, Firehouse renovations, and improvements at Forest Park.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The following is a summary of changes in capital assets—business-type activities for the year ended June 30, 2003. Business-type activities for the City include the Airport, Water Division, and Parking Division.

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Business-type activities:					
Combined:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 710,956	48,261	—	2,450	761,667
Construction in progress	95,177	198,033	(464)	(11,520)	281,226
Total capital assets not being depreciated	<u>806,133</u>	<u>246,294</u>	<u>(464)</u>	<u>(9,070)</u>	<u>1,042,893</u>
<i>Capital assets being depreciated:</i>					
Buildings and structures	430,344	1,667	(464)	3,798	435,345
Equipment	74,045	2,193	(8,434)	223	68,027
Pavings	280,225	178	—	672	281,075
Parking meters and lot equipment	4,017	631	(201)	—	4,447
Reservoirs	29,932	—	—	4,237	34,169
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,337	8	—	59	8,404
Purification basins and equipment	37,376	—	—	81	37,457
Water mains, lines, and accessories	98,002	1,163	(43)	—	99,122
Motor vehicle equipment	8,243	724	(632)	—	8,335
Total capital assets being depreciated	<u>971,182</u>	<u>6,564</u>	<u>(9,774)</u>	<u>9,070</u>	<u>977,042</u>
<i>Less accumulated depreciation for:</i>					
Buildings and structures	216,863	15,581	—	—	232,444
Equipment	47,085	4,689	(8,767)	—	43,007
Pavings	174,934	9,671	—	—	184,605
Parking meters and lot equipment	2,875	298	(201)	—	2,972
Reservoirs	4,085	574	—	—	4,659
Boiler plant equipment	606	3	—	—	609
Pumping equipment	7,017	150	—	—	7,167
Purification basins and equipment	7,887	718	—	—	8,605
Water mains, lines, and accessories	43,099	1,221	(17)	—	44,303
Motor vehicle equipment	4,367	602	(428)	—	4,541
Total accumulated depreciation	<u>508,818</u>	<u>33,507</u>	<u>(9,413)</u>	<u>—</u>	<u>532,912</u>
Total capital assets being depreciated, net	<u>462,364</u>	<u>(26,943)</u>	<u>(361)</u>	<u>9,070</u>	<u>444,130</u>
Business-type activities capital assets, net	<u>\$ 1,268,497</u>	<u>219,351</u>	<u>(825)</u>	<u>—</u>	<u>1,487,023</u>

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2003
(dollars in thousands)

The following is a summary of changes in capital assets for the year ended June 30, 2003 for each enterprise fund:

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Airport:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 693,567	47,466	—	—	741,033
Construction in progress	83,432	188,269	(464)	(4,115)	267,122
Total capital assets not being depreciated	<u>776,999</u>	<u>235,735</u>	<u>(464)</u>	<u>(4,115)</u>	<u>1,008,155</u>
<i>Capital assets being depreciated:</i>					
Pavings	280,225	178	—	672	281,075
Buildings and facilities	361,058	1,405	(464)	3,440	365,439
Equipment	61,936	2,022	(8,282)	3	55,679
Total capital assets being depreciated	<u>703,219</u>	<u>3,605</u>	<u>(8,746)</u>	<u>4,115</u>	<u>702,193</u>
<i>Less accumulated depreciation for:</i>					
Pavings	174,934	9,671	—	—	184,605
Buildings and facilities	194,404	14,075	—	—	208,479
Equipment	38,922	4,092	(8,630)	—	34,384
Total accumulated depreciation	<u>408,260</u>	<u>27,838</u>	<u>(8,630)</u>	<u>—</u>	<u>427,468</u>
Total capital assets being depreciated, net	<u>294,959</u>	<u>(24,233)</u>	<u>(116)</u>	<u>4,115</u>	<u>274,725</u>
Airport capital assets, net	<u>\$ 1,071,958</u>	<u>211,502</u>	<u>(580)</u>	<u>—</u>	<u>1,282,880</u>

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Water Division:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,238	—	—	—	1,238
Construction in progress	9,205	2,645	—	(4,955)	6,895
Total capital assets not being depreciated	10,443	2,645	—	(4,955)	8,133
<i>Capital assets being depreciated:</i>					
Buildings and structures	37,417	33	—	358	37,808
Reservoirs	29,932	—	—	4,237	34,169
Boiler plant equipment	661	—	—	—	661
Pumping equipment	8,337	8	—	59	8,404
Purification basins and equipment	37,376	—	—	81	37,457
Water mains, lines, and accessories	98,002	1,163	(43)	—	99,122
Equipment	11,099	171	—	220	11,490
Motor vehicle equipment	8,243	724	(632)	—	8,335
Total capital assets being depreciated	231,067	2,099	(675)	4,955	237,446
<i>Less accumulated depreciation for:</i>					
Buildings and structures	18,813	566	—	—	19,379
Reservoirs	4,085	574	—	—	4,659
Boiler plant equipment	606	3	—	—	609
Pumping equipment	7,017	150	—	—	7,167
Purification basins and equipment	7,887	718	—	—	8,605
Water mains, lines, and accessories	43,099	1,221	(17)	—	44,303
Equipment	7,448	513	—	—	7,961
Motor vehicle equipment	4,367	602	(428)	—	4,541
Total accumulated depreciation	93,322	4,347	(445)	—	97,224
Total capital assets being depreciated, net	137,745	(2,248)	(230)	4,955	140,222
Water Division capital assets, net	\$ 148,188	397	(230)	—	148,355

City of St. Louis, Missouri
Notes to Basic Financial Statements, Continued
June 30, 2003
(dollars in thousands)

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
Parking Division:					
<i>Capital assets not being depreciated:</i>					
Land	\$ 16,151	795	—	2,450	19,396
Construction in progress	2,540	7,119	—	(2,450)	7,209
Total capital assets not being depreciated	18,691	7,914	—	—	26,605
<i>Capital assets being depreciated:</i>					
Buildings and parking garages	31,869	229	—	—	32,098
Equipment	1,010	—	(152)	—	858
Parking meters and lot equipment	4,017	631	(201)	—	4,447
Total capital assets being depreciated	36,896	860	(353)	—	37,403
<i>Less accumulated depreciation for:</i>					
Buildings and parking garages	3,646	940	—	—	4,586
Equipment	715	84	(137)	—	662
Parking meters and lot equipment	2,875	298	(201)	—	2,972
Total accumulated depreciation	7,236	1,322	(338)	—	8,220
Total capital assets being depreciated, net	29,660	(462)	(15)	—	29,183
Parking Division capital assets, net	\$ 48,351	7,452	(15)	—	55,788

Construction in progress at the Airport consists of various improvements to the airfield and terminal buildings, as well as property purchased on which the Airport's expansion facilities will be constructed. Construction in progress at the Water Division consists primarily of various improvements to the waterworks system. Construction in progress at the Parking Division related to the construction of a new parking facility.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:

General government	\$ 2,658
Convention and tourism	4,259
Parks and recreation	1,252
Judicial	322
Streets	18,215
Public safety:	
Fire	1,508
Other	770
Health and welfare	428
Public service	213

Total depreciation expense, governmental activities	\$ <u>29,625</u>
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Business-type activities:

Airport	\$ 27,838
Water Division	4,347
Parking Division	1,322

Total depreciation expense, business-type activities	\$ <u>33,507</u>
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a. Component Unit—SLDC

The following is a summary of changes in SLDC capital assets for the year ended June 30, 2003:

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Capital assets not being depreciated:				
Land	\$ 4,914	—	—	4,914
Total capital assets not being depreciated	4,914	—	—	4,914
Capital assets being depreciated:				
Leasehold improvements	3,000	—	—	3,000
Equipment	632	11	—	643
Parking facilities	18,897	—	—	18,897
Total capital assets being depreciated	22,529	11	—	22,540
Less accumulated depreciation for:				
Leasehold improvements	300	200	—	500
Equipment	593	33	—	626
Parking facilities	6,776	638	—	7,414
Total accumulated depreciation	7,669	871	—	8,540
Total capital assets being depreciated, net	14,860	(860)	—	14,000
SLDC capital assets, net	\$ 19,774	(860)	—	18,914

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

b. Component Unit – SLPD

The following represents a summary in SLPD's capital assets for the year ended June 30, 2003:

	Balance June 30, 2002	Additions	Retirements	Transfers	Balance June 30, 2003
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,646	—	—	—	1,646
Total capital assets not being depreciated	1,646	—	—	—	1,646
<i>Capital assets being depreciated:</i>					
Buildings and improvements	32,177	65	—	—	32,242
Furniture and fixtures and other equipment	2,431	272	(140)	(17)	2,546
Automotive equipment	7,508	1,174	(1,055)	17	7,644
Communications equipment	5,426	43	(830)	—	4,639
Computers and software	1,370	173	—	—	1,543
Aircraft	258	—	—	—	258
Total capital assets being depreciated	49,170	1,727	(2,025)	—	48,872
<i>Less accumulated depreciation for:</i>					
Buildings and improvements	14,476	473	—	—	14,949
Furniture and fixtures and other equipment	1,718	223	(130)	(17)	1,794
Automotive equipment	4,365	1,627	(999)	17	5,010
Communications equipment	3,890	456	(825)	—	3,521
Computers and software	726	359	—	—	1,085
Aircraft	139	43	—	—	182
Total accumulated depreciation	25,314	3,181	(1,954)	—	26,541
Total capital assets being depreciated, net	23,856	(1,454)	(71)	—	22,331
SLPD capital assets, net	\$ 25,502	(1,454)	(71)	—	23,977

c. Component Unit—HSTRC

Capital assets of the HSTRC, consisting of furniture and equipment, were \$50 as of May 31, 2003. HSTRC recognized an impairment loss of \$1,335 in 2003 to reduce the carrying value of furniture, equipment, and kitchen and leasehold improvements, the value of which has been impaired due to the dissolution of HSTRC. The amount of impairment was estimated based on the present value of expected future cash flows from the sale of the furniture and equipment.

d. Component Unit—SWMDC

	<u>Balance June 30, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2003</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	\$ 7,510	36	—	7,546
Total capital assets being depreciated	7,510	36	—	7,546
<i>Less accumulated depreciation for:</i>				
Infrastructure	1,686	237	—	1,923
Total accumulated depreciation	1,686	237	—	1,923
SWMDC capital assets, net	\$ 5,824	(201)	—	5,623

8. COMPONENT UNIT—SLDC PROPERTY HELD FOR DEVELOPMENT

SLDC property held for development consists primarily of land and property held for sale or other development purposes. This land and property is reported in SLDC's financial statements based on management's intent of ultimate disposition of the property. Proceeds received upon the sale of most of these properties will revert back to the funding source. At June 30, 2003, SLDC has established a reserve for impairment of \$5,841 on its properties held for development.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>Vendors</u>	<u>Contracts and Retainage Payable</u>	<u>Total</u>
Government activities:			
General fund	\$ 2,791	147	2,938
Capital projects fund	5,201	5,020	10,221
Grants fund	4,408	—	4,408
Other governmental funds	315	—	315
Internal service	420	—	420
Total government activities	\$ 13,135	5,167	18,302
Business-type activities:			
Airport	\$ 2,860	29,014	31,874
Water Division	1,310	—	1,310
Parking Division	48	2,176	2,224
Total business-type activities	\$ 4,218	31,190	35,408

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

10. RETIREMENT PLANS

The City contributes to three defined benefit retirement plans. The Firemen's Retirement System of St. Louis (Firemen's System) and the Police Retirement System of St. Louis (Police System) are single-employer plans. The Employees' Retirement System of the City of St. Louis (Employees' System) is defined as a single-employer plan due to the City's participation in the Employees' System being greater than 99% of the total participation of all employers. Each system is administered by a separate board of trustees, who are partially appointed by City officials, plan participants, and the governor of the State (Police System only). For financial reporting purposes, these retirement systems are included as fiduciary pension trust funds of the City. Financial information for these funds has been included within the accompanying basic financial statements as of each System's fiscal year-end, which falls within the City's current fiscal year-end as follows:

<u>System</u>	<u>System Fiscal Year End</u>
Firemen's	August 31, 2002
Police	September 30, 2002
Employees'	September 30, 2002

a. Firemen's Retirement System of St. Louis

1) System Description

All firefighters qualify as members of the Firemen's System and are thereby eligible to participate from their date of hire.

The Firemen's System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Firemen's Retirement System of St. Louis; 1601 South Broadway, St. Louis, Missouri, 63104.

Firefighters may elect voluntary retirement after 20 or more years of service. The monthly allowance consists of 40% of the final two-year average monthly compensation at 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 5% of final average compensation for each additional year of service over 25 years with a maximum pension of 75%. Unused accrued sick pay may increase the maximum pension beyond the 75% limitation.

The Firemen's System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are authorized by State statutes and adopted by City ordinance.

The Firemen's System, in accordance with Ordinance 62994 of the City, initiated during the Firemen's System's fiscal year ended August 31, 1994 the Deferred Retirement Option Plan (DROP). The DROP is available to members of the Firemen's System who have achieved at least 20 years of creditable service and have eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly into the DROP account of the member and the member's contribution will be reduced to 1% from the normal 8%. During participation in the DROP, the member will not receive credit for City contributions or credit for service. A member may participate in the DROP only once for

any period up to five years. At retirement, the funds in the member's DROP account plus interest and accrued sick leave, if elected, is available to the member in a lump sum or in installments.

2) Funding Policy

Firefighters are required to contribute 8% of their compensation to the Firemen's System, as mandated per State statute and adopted by City ordinance. The City is required to contribute the remaining amounts necessary to fund the Firemen's System. Members of the Firemen's System are entitled to a lump-sum distribution of the entire amount of their contribution without interest upon service retirement. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution, plus interest thereon.

3) Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the Firemen's System for the year ended June 30, 2003 are as follows:

Annual required contribution	\$ (3,365)
Interest on net pension asset	1,854
Adjustment to annual required contribution	<u>(2,084)</u>
Annual pension cost	(3,595)
Contributions made	<u>3,365</u>
Decrease in net pension asset	<u>(230)</u>
Net pension asset, beginning of year	<u>24,316</u>
Net pension asset, end of year	<u>\$ 24,086</u>

The net pension asset of \$24,086, as of June 30, 2003, is reflected as a net pension asset within governmental activities in the government-wide financial statements.

Historical trend information about the City's participation in the Firemen's System is presented below to help readers assess the Firemen's System's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Asset
2003	\$	3,595	94%	\$	24,086
2002		3,756	94		24,316
2001		3,252	100		24,528

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

Significant actuarial assumptions used in the valuation of the Firemen's System are as follows:

Date of actuarial valuation	September 1, 2002
Actuarial cost method	Entry age-frozen liability method
Amortization method	30 years from establishment
Remaining amortization period	Various
Asset valuation method	3-year smooth market
Inflation rate	3.500%, per year
Investment rate of return	7.625%, compounded annually
Projected salary increases	4.750%, per year to retirement age
Projected postretirement benefit increases	5.000%

b. Police Retirement System of St. Louis

1) System Description

All persons who become police officers and all police officers that enter or reenter SLPD after October 1, 1957 become members of the Police System and are thereby eligible to participate from their date of hire. The Police System issues a publicly available financial report that includes financial statements and supplementary information. That information may be obtained by writing to the Police Retirement System of St. Louis; One South Memorial Drive, Suite 600; St. Louis, Missouri, 63102-2447.

Police officers may elect voluntary retirement after 20 or more years of credited service regardless of age or upon attaining age 55. The monthly allowance consists of 40% of the two-year (three-year prior to October 1, 2001) average final compensation for the first 20 years of service, plus 2% of such final average compensation for each of the next five years of service, plus 4% of average final compensation for each additional year of service after 25 years up to a maximum of 30 years. The monthly allowance of members who have at least 30 years of service is increased by 5%. The maximum pension is 75% of average final compensation. The Police System also provides death and disability benefits. Benefits vest after 20 years of service. Such benefits are established by State statute.

During the Police System year ended September 30, 1996, deferred retirement option plan (DROP) benefit provisions were added. The DROP option is available to members of the Police System who have at least 20 years of creditable service and have achieved eligibility for retirement. Those members who elect to participate will continue active employment, will have a service retirement allowance credited monthly in the DROP account, and will no longer make contributions to the Police System. During participation in the DROP, the member will not receive credit for service and the member shall not share in any benefit improvement that is enacted or becomes effective while such member is participating in the DROP. A member may participate in the DROP only once for any period up to five years. At retirement, the funds in the member's DROP account plus interest is available to the member in a lump sum or in installments.

2) Funding Policy

Police officers are required to contribute 7% of their compensation to the Police System per State statute. The City is required to contribute the remaining amounts necessary to fund the Police System, determined in accordance with City ordinances. Upon leaving employment due to service retirement, death, or disability due to an accident in the actual performance of duty (prior to October 1, 2001, only if 100% disabled), the member's contributions are refunded. Members whose employment terminates prior to retirement are entitled to a lump-sum distribution of their contribution plus interest thereon.

3) Annual Pension Cost

No actuarially determined contributions were made to the Police System by the City during the City's fiscal year ended June 30, 2003.

Historical trend information about the City's participation in the Police System is presented below.

Fiscal Year		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
2003	\$	—	—%	\$	—
2002		—	—		—
2001		—	—		—

Significant actuarial assumptions used in the valuation of the Police System are as follows:

Date of actuarial valuation	October 1, 2002
Actuarial cost method	Aggregate (this method does not identify or separately amortize unfunded actuarially accrued liabilities)
Asset valuation methods	5-year smoothed average of market value
Inflation rate	3.00%, per year
Investment rate of return	7.75%, per year
Projected salary increases	3.50 – 7.00%, varying by age
Projected postretirement benefit increases	3.00% maximum per year, cumulative 30% cap

c. Employees' Retirement System of the City of St. Louis

1) System Description

All nonuniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the Employees' Retirement System upon employment with the exception of employees hired after attaining age 60.

The Employees' System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

Employees' Retirement System of the City of St. Louis; 1300 Convention Plaza, Suite 217; St. Louis, Missouri 63103-1935.

The Employees' System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employees' System after the employee has attained five years of creditable service. The board of trustees approves all withdrawals, benefits, and termination refunds from the Employees' System's assets. Normal retirement is at age 65 or if the employee's age and creditable service combined equal or exceeds 85. Employees may retire and receive reduced benefit after age 60, with five years of creditable service; age 55, with at least 20 years of creditable service; or at any age after 30 years of creditable service.

On June 8, 2000, the mayor of the City approved an ordinance passed by the board of aldermen, which will establish a Deferred Retirement Option Plan (DROP) effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

2) Funding Policy

Employer contribution rates are established annually by the board of trustees based on an actuarial study. Deductions from plan net assets are financed from plan additions. The board of trustees elected to require employer contributions at a rate of 8.8% of active member payroll effective July 2002. Prior to July 1, 2002, the contribution rate was 4.1%.

Employees who became members of the Employees' System prior to October 14, 1977 may make voluntary contributions to the Employees' System equal to 3% of the employee's compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act in effect on January 1 of the calendar year. Voluntary contributions of employees who enrolled in the Employees' System after October 13, 1977 may be made up to 6% of qualified employee compensation for the remainder of the calendar year. These voluntary contributions vest immediately.

3) Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the Employees' System for the year ended June 30, 2003, are as follows:

Annual required contribution	\$ (24,270)
Interest on net pension obligation	(404)
Adjustment to annual required contribution	<u>550</u>
Annual pension cost	(24,124)
Contributions made	<u>18,266</u>
Increase in net pension obligation	(5,858)
Net pension obligation, beginning of year	<u>(5,049)</u>
Net pension obligation, end of year	<u><u>\$ (10,907)</u></u>

The net pension obligation of \$10,907 is reflected as a long-term liability within the accompanying basic financial statements as follows:

Governmental activities	\$ 7,291
Business-type activities	2,291
Component unit – SLPD	<u>1,325</u>
	<u><u>\$ 10,907</u></u>

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension (Obligation)/Asset
2003	\$ 24,124	75.72%	\$ (10,907)
2002	17,610	45.32	(5,049)
2001	—	—	4,580

Significant actuarial assumptions used in the valuation of the Employees' System are as follows:

Date of actuarial valuation	October 1, 2002
Actuarial cost method	Projected unit credit
Amortization method and remaining period	Level dollar amount for unfunded liability
Remaining amortization period	17.25 years as of October 1, 2002
Actuarial value of assets	The book value at beginning of year; plus 25% of the difference between market value and book for the last four years; less the member savings fund
Investment rate of return	8.00%
Projected salary increases	4.50 – 8.50%, depending on age
Projected postretirement benefit increases	5.00% per year for five years

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

d. Component Unit—SLDC

The SLDC Employees Retirement Plan and Trust (SLDC plan) is a defined contribution plan and became effective January 1, 1989. Required year-ended June 30, 2003 contributions of \$308 which amount to 9% of current covered payroll, were made by SLDC. For the year ended June 30, 2003, SLDC's current covered payroll was \$3,419 and total payroll amounted to \$3,792. Employees are not required to contribute to the SLDC Plan; however, they can contribute up to 5.5% of their monthly compensation if they so elect. In order to be eligible under the SLDC Plan, the participant must be a full-time employee, have attained the age of 18, and have completed at least six months of active service. The employees vest at a rate of 33% per annum with full vesting occurring after the end of their third year of service. The SLDC Plan does not hold any employer or related-party securities. All plan investments are self-directed by the respective plan participants, within the limitations of the plan.

11. COMPONENT UNIT—SLPD POSTEMPLOYMENT HEALTHCARE AND LIFE INSURANCE

SLPD is obligated under Chapter 84.160 RSMo to provide healthcare and life insurance benefits for former civilian and commissioned employees who retired subsequent to 1969. Currently, SLPD provides healthcare insurance for 1,239 retirees, while 1,277 retirees were provided life insurance benefits. Under the life insurance plan, retirees are obligated to pay 65.5 cents for every \$1,000 (in dollars) of coverage on a monthly basis. SLPD covers healthcare and other life insurance benefits for participants. These costs are accounted for on a pay-as-you-go basis and the cost to SLPD of providing these benefits to retirees was \$2,298 (in dollars) per retiree for healthcare and \$7 (in dollars) per retiree for life insurance for the fiscal year ending June 30, 2003.

12. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City and SLPD employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employees or other beneficiary) held in trust for the exclusive benefit of the employees. As such, the trust account and related liability are not included in the basic financial statements.

13. LONG-TERM LIABILITIES

a. Changes in Long-Term Liabilities

Following is a summary of the changes in long-term liabilities for the year ended June 30, 2003:

	Balance June 30, 2002	Additions	Reductions	Balance June 30, 2003	Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 57,525	—	(2,840)	54,685	2,965
Section 108 Loan Guarantee					
Assistance Programs	78,840	—	(2,270)	76,570	4,070
Federal Financing Bank advances	875	—	(35)	840	35
Tax increment financing bonds					
and notes payable	11,002	15,656	(832)	25,826	1,295
Master note purchase agreement	890	—	(546)	344	—
Capital lease—rolling stock	5,706	7,070	(1,792)	10,984	1,973
Other capital leases	—	256	(81)	175	85
Obligations under capital leases with					
component units	12,175	—	(370)	11,805	385
Leasehold revenue improvement and					
refunding bonds	334,197	141,975	(156,435)	319,737	8,210
Joint venture financing agreement	79,324	—	(2,831)	76,493	2,952
Unamortized discounts, premiums,					
and deferred amounts on refunding	(2,870)	1,623	896	(351)	—
Arbitrage rebate liability	435	—	—	435	—
Net pension obligation	2,951	4,340	—	7,291	—
Accrued vacation, compensatory,					
and sick time benefits	29,389	11,697	(16,575)	24,511	16,135
Landfill closure	185	35	—	220	125
Claims and judgments payable	17,921	38,847	(31,912)	24,856	12,624
Governmental activities long-term					
liabilities	<u>\$ 628,545</u>	<u>221,499</u>	<u>(215,623)</u>	<u>634,421</u>	<u>50,854</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Also, for the governmental activities claims and judgments payable, accrued vacation, compensatory and sick leave benefits, net pension obligations, arbitrage rebate liability, and landfill closure costs are generally liquidated by the general fund.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

	Balance, June 30, 2002	Additions	Reductions	Balance, June 30, 2003	Due Within One Year
Business-type activities:					
Airport:					
Revenue bonds payable	\$ 896,600	217,845	(152,925)	961,520	27,725
Net pension obligation	573	599	—	1,172	—
Other	9,222	241	(6,864)	2,599	—
Accrued vacation, compensatory, and sick time benefits	5,212	1,038	(1,586)	4,664	4,664
Unamortized discounts, premiums, and deferred amounts on refunding	(7,529)	2,885	1,438	(3,206)	—
Total Airport	904,078	222,608	(159,937)	966,749	32,389
Water Division:					
Revenue bonds payable	41,010	—	(2,090)	38,920	2,235
Customer deposits	1,115	207	—	1,322	—
Net pension obligation	559	325	—	884	—
Other	554	—	(53)	501	—
Accrued vacation, compensatory, and sick time benefits	2,912	3,570	(3,533)	2,949	2,949
Unamortized discounts, premiums, and deferred amounts on refunding	(2,321)	—	340	(1,981)	—
Total Water Division	43,829	4,102	(5,336)	42,595	5,184
Parking Division:					
Revenue bonds payable	42,445	21,005	(935)	62,515	980
Short-term revenue bonds payable	2,271	—	(2,271)	—	—
Net pension obligation	100	135	—	235	—
Accrued vacation, compensatory, and sick time benefits	155	304	(313)	146	146
Unamortized discounts, premiums, and deferred amounts on refunding	(2,644)	(341)	152	(2,833)	—
Total Parking Division	42,327	21,103	(3,367)	60,063	1,126
Business-type activities long-term liabilities	\$ 990,234	247,813	(168,640)	1,069,407	38,699

b. General Obligation Bonds

In June 1999, the City issued \$65,000 Public Safety General Obligation Bonds, Series 1999. The series consisted of \$64,305 current interest serial bonds due in the years 2000 through 2008 and 2010 through 2019 with rates ranging from 4% to 5.125%. The 2009 maturity is entirely capital appreciation bonds in the amount of \$695 sold to yield 5.15% and mature at \$3,655 (collectively, the "Series 1999 bonds"). The

proceeds of the Series 1999 bonds are being used as follows: (i) \$44,000 for new fire equipment, new fire communication equipment, reconstruction and renovation of various existing fire houses, and new construction of fire houses; (ii) \$10,000 for new police laboratory equipment, reconstruction, and renovation of existing police buildings, and; (iii) \$11,000 for demolition and abatement of various abandoned or condemned buildings under the control of the City. The Series 1999 bonds are payable from ad valorem taxes to be levied without limitation as to rate or amount upon all taxable, tangible property, real, and personal property within the City. The principal and interest on the Series 1999 bonds is guaranteed under a municipal bond new issue insurance policy issued by Financial Guaranty Insurance Company. Principal payments are made from other governmental funds.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 2,965	2,667	5,632
2005	3,100	2,540	5,640
2006	3,245	2,400	5,645
2007	3,400	2,253	5,653
2008	3,570	2,088	5,658
2009-2013	13,535	11,605	25,140
2014-2018	20,180	4,395	24,575
2019	4,690	240	4,930
	<u>\$ 54,685</u>	<u>28,188</u>	<u>82,873</u>

c. Section 108 Loan Guarantee Assistance Programs

During 2001, the City entered into contracts with the U.S. Department of Housing and Urban Development for Section 108 loan guarantee assistance for the following maximum amounts:

- \$50,000 for Downtown Convention Headquarters Hotel project
- \$20,000 for Darst-Webbe Housing Redevelopment project
- \$10,000 for neighborhood projects

During 2001, the City issued a note in the amount of \$50,000 for the Downtown Convention Headquarters Hotel project. Additionally, during 2001, the City received \$5,000 in an advance funding draw for the Darst-Webbe Housing Redevelopment project. The \$50,000 note is intended to spur redevelopment in the downtown area. The \$50,000 note is a 20-year note at a variable rate of interest. The \$5,000 received during 2001 was an advance funding draw note related to the \$20,000 Darst-Webbe Housing Redevelopment project. During 2002, the City finalized each of the three loans at fixed rates ranging from 3.66% to 6.62%, and received the remaining \$15,000 draw for the Darst-Webbe Housing Redevelopment project, as well as the \$10,000 funding for neighborhood projects. The Darst-Webbe note is a 20-year note with final payment due in fiscal 2021.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The five-year, \$10,000 note for neighborhood improvement projects will be used for housing rehabilitation, land acquisition, capital improvements, commercial district improvements, and public improvements. Final payment is due during fiscal 2007.

Principal and interest requirements for the combined Section 108 program notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 4,070	4,390	8,460
2005	4,280	4,207	8,487
2006	4,550	3,995	8,545
2007	4,850	3,756	8,606
2008	2,740	3,557	6,297
2009 – 2013	16,550	15,184	31,734
2014 – 2018	22,420	9,346	31,766
2019 – 2021	17,110	1,737	18,847
	<u>\$ 76,570</u>	<u>46,172</u>	<u>122,742</u>

d. Federal Financing Bank Advances

Federal Financing Bank Advances represent promissory notes issued by the Federal Financing Bank to the City for redevelopment projects. These notes were issued under Section 108 of the Housing and Community Development Act of 1974. Interest is payable semiannually based on rates established by the secretary of the treasury on the dates the notes are made. These notes and the related interest will be repaid from intergovernmental revenues of the grants fund. In 1997, the City signed a new contract and loan agreement under Section 108 in the amount of \$1,000. The proceeds were used to fund a portion of a multi-modal distribution center, which integrates trucking, railway, and waterway transportation and distribution channels. The loan initially consisted of 20 variable rate notes, due in July of each year, to be retired over the 20 years ending July 2016. Interest, payable semiannually and calculated monthly, is based on the variable rate of LIBOR plus 0.2%. In October 1997, the notes were changed to fixed rates with interest due in February and August of each year. The notes currently bear interest at rates ranging from 5.87% to 7.08%.

Principal and interest requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 35	56	91
2005	40	53	93
2006	40	51	91
2007	45	48	93
2008	50	45	95
2009 – 2013	300	170	470
2014 – 2017	330	48	378
	<u>\$ 840</u>	<u>471</u>	<u>1,311</u>

e. Tax Increment Financing Bonds and Notes Payable

In 1991, the City issued \$15,000 in tax increment financing bonds (Series 91 TIF Bonds) to provide funds to enable the City to acquire certain land and, upon such land, among other things, to widen and improve an existing street. Other governmental funds are used to account for the revenues, expenditures, including debt service, and other activities related to the Series 91 TIF Bonds. The Series 91 TIF Bonds constitute special obligations of the City, and are payable from payments in lieu of taxes from owners or property within the Scullin Redevelopment Tax Increment Financing Area (the 91 Area). In the event these payments are not sufficient to meet the debt service requirements, the Series 91 TIF Bonds are payable, first, from the additional tax revenue generated by increases in economic activities in the 91 Area, other than personal property tax revenue, and, second, from any monies legally available in the City's general fund. During 2003, \$621 of payments in lieu of taxes and \$1,080 in economic activity taxes were received. The Series 91 TIF Bonds bear interest at the rate of 10% per year, mature on August 1, 2010, and are subject to mandatory redemption prior to maturity.

Additionally, from time to time, the City issues tax increment financing notes payable to developers in conjunction with various redevelopment projects throughout the City. These notes are special limited obligations of the City, payable solely from the payments in lieu of taxes and increased economic activity taxes generated by the redevelopment areas. No other City monies are pledged to repay these notes and, should these financing sources be insufficient to repay the notes prior to their stated maturity dates, the City's obligation under the notes will cease. As of June 30, 2003, the City had \$15,886 in tax increment financing (TIF) notes payable outstanding, at interest rates ranging from 7% to 10%, payable in various installments through 2025.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

Principal and interest requirements for the tax increment financing debt issues are as follows:

	Series 91 TIF Bonds		TIF Notes	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2004	\$ 875	950	420	1,395
2005	960	859	460	1,360
2006	1,055	758	502	1,320
2007	1,160	647	547	1,277
2008	1,275	525	597	1,231
2009 – 2013	4,615	718	3,564	5,296
2014 – 2018	–	–	4,014	3,638
2019 – 2023	–	–	4,882	1,556
2024 – 2025	–	–	900	105
	<u>\$ 9,940</u>	<u>4,457</u>	<u>15,886</u>	<u>17,178</u>

f. Master Note Purchase Agreement

In February 2000, the SLMFC, the City, and the Federal National Mortgage Association (Fannie Mae) entered into a Master Note Purchase Agreement (Series 2000 Note) to provide a low-interest, second mortgage for use as down payment and/or to pay other purchase costs to those who buy a single family residence in the City. The City provided a deposit of \$250 into a note reserve account and SLMFC pledged all payments of interest and principal from the homeowners as payment for the Fannie Mae \$1,250 loan. The SLMFC obligation is limited to the monies in the various accounts established by the agreement including the note reserve account. A trustee holds the loan proceeds to be used exclusively for the City of St. Louis Homebuyers Incentive Program (CHIPS). The program is designed to provide funding to assist homebuyers with a down payment and closing costs associated with the purchase of a home. The loan bears interest at the rate of 8.27% per annum and will mature on March 1, 2011 subject to prepayment based on the payment of the second loans to homeowners. The principal will be paid from other governmental funds. During 2003, the remaining principal of \$440 relating to the Series 2000 Note was paid in full.

In November 2001, the SLMFC, the City, and Fannie Mae amended the Series 2000 Note. Under the amendment, Fannie Mae purchased a Series 2001 Note in the amount of \$460 from SLMFC. The amendment required the City to provide an additional deposit of \$130 into a Series 2001 Note reserve account, and required SLMFC to pledge all payments of principal and interest from the homeowners as payment for the Series 2001 Note. A portion of the proceeds of the Series 2001 Note, along with a portion of the Series 2000 Note reserve account, was used to prepay a portion of the Series 2000 Note in the amount of \$650. A portion of the Series 2001 Note provided additional funds for the CHIPS. The Series 2001 Note bears interest at the rate of 5.21% per annum and will mature on December 1, 2012, subject to prepayment based upon the payment of the second loans to homeowners.

g. Loan Agreement with Missouri Department of Natural Resources

In July 2001, the City agreed to enter into a loan agreement with the Missouri Department of Natural Resources (DNR) pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of 4.35%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. As of June 30, 2003, the City has not drawn against the loan agreement. (Refer to subsequent events discussed in note 27.)

In April 2003, the City agreed to enter into a second loan agreement with the DNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$1,613 at an annual interest rate of 2.95%. The proceeds of the loan are to be used to complete energy conservation measures designated as approved by the DNR. As of June 30, 2003, the City has not drawn against the loan agreement.

h. Component Unit—SLDC Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLDC for the year ended June 30, 2003:

	Balance, June 30, 2002	Additions	Reductions	Balance, June 30, 2003	Due Within One Year
Due to other governmental agencies	\$ 9,618	1,780	(2,290)	9,108	2,278
Notes payable	14,952	5,869	(8,074)	12,747	7,237
Other liabilities	4,057	12,454	(10,989)	5,522	3,307
Revenue bonds	13,690	—	(130)	13,560	240
	<u>\$ 42,317</u>	<u>20,103</u>	<u>(21,483)</u>	<u>40,937</u>	<u>13,062</u>

Maturities on notes payable are as follows:

Year ending June 30:	
2004	\$ 7,237
2005	1,797
2006	1,381
2007	505
2008	531
2009 – 2011	1,296
	<u>\$ 12,747</u>

Revenue bonds outstanding at June 30, 2003 consist of LCRA Parking Facility Revenue Bonds Series 1999A (Series 1999A bonds), Parking Facility Revenue Refunding Bonds Series 1999B (Series 1999B bonds), and Parking Facility Revenue Refunding and Improvement Bonds Series 1999C (Series 1999C bonds) (Bonds). Collectively, the Bonds are dated October 21, 1999.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The Series 1999A bonds with an original issue amount of \$2,470 are due at intervals until September 1, 2009. These bonds carry rates of interest ranging from 7.625% to 9.0%

The Series 1999B bonds with an original issue amount of \$8,300 are due at intervals until September 1, 2019, and are payable solely from, and secured by, a pledge of gross revenues from the operation of SLDC Parking Facilities' St. Louis Centre East parking garage. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry rates of interest ranging from 6.5% to 7.0%.

The Series 1999C bonds with an original issue amount of \$3,040 are due September 1, 2024. Bond proceeds are to repay an LCRA note payable and construct a parking lot on a portion of the St. Louis Centre North Garage premises. The bonds may be redeemed prior to maturity at the option of LCRA and are subject to special mandatory redemption prior to maturity following the occurrence of a determination of taxability as defined in the bond indenture. These bonds carry a rate of interest of 7.05%.

Debt service requirements to maturity for SLDC revenue bonds are as follows:

	Series 1999A		Series 1999B		Series 1999C	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 240	187	—	1,138	—	429
2005	260	166	—	1,138	—	429
2006	285	142	—	1,138	—	429
2007	310	115	—	1,138	—	429
2008	335	86	—	1,138	—	429
2009 – 2013	790	74	1,105	5,437	—	2,143
2104 – 2018	—	—	2,745	4,156	—	2,143
2019 – 2023	—	—	4,450	815	1,275	2,011
2024 – 2028	—	—	—	—	1,765	393
	<u>\$ 2,220</u>	<u>770</u>	<u>8,300</u>	<u>16,098</u>	<u>3,040</u>	<u>8,835</u>

i. Component Unit—SLPD Long-Term Liabilities

The following is a summary of changes in long-term liabilities for SLPD for the year ended June 30, 2003:

	Balance June 30, 2002	Additions	Deductions	Balance, June 30, 2003	Due Within One Year
Accrued banked overtime, vacation, and sick time leave	\$ 25,677	12,375	(9,419)	28,633	8,671
Capital lease obligation	8,015	6,704	(8,208)	6,511	1,020
Workers' compensation	21,731	7,387	(4,340)	24,778	4,500
Net pension obligation	866	459	—	1,325	—
	<u>\$ 56,289</u>	<u>26,925</u>	<u>(21,967)</u>	<u>61,247</u>	<u>14,191</u>

Police Patrol Buildings

In December 1987, SLPD entered into a lease-purchase agreement with the Missouri Economic Development, Export and Infrastructure Board (MEDB). In June 1994, the MEDB issued \$13,725 of Leasehold Revenue Bonds, Series 1994 (SLPD Series 1994 Bonds). Proceeds from the 1994 bonds were used to defease the previously issued Leasehold Revenue Bonds, Series 1988 (SLPD Series 1988 Bonds).

Proceeds from the SLPD Series 1988 Bonds were used to finance the purchase, construction, expansion, and improvement of real estate and buildings for SLPD's police patrol buildings.

On February 27, 2003, the Industrial Development Authority of the St. Louis Development Corporation (IDA) issued \$6,665 in Series 2003 Leasehold Refunding Revenue Bonds (Series 2003 Bonds) with an average interest rate of 2.04% to current refund \$7,045 of outstanding SLPD Series 1994 Bonds with an average interest rate of 5.65%. The net proceeds of \$6,545 (after the addition of a net issue premium of \$41 and payment of \$161 in underwriting fees, insurance, and other issuance costs) plus \$706 of SLPD's cash was deposited into an irrevocable trust with an escrow agent to provide for the redemption of the SLPD Series 1994 Bonds on April 1, 2003 at a premium of \$141.

The current refunding has resulted in a difference in total debt service payments over the next five years of \$1,184 and an economic gain (difference between the present value of the old and new debt service payments) of \$1,083.

The IDA acquired the police patrol buildings from the MEDB and leased them to SLPD in a lease purchase agreement dated February 1, 2003. Lease payments are payable from tax proceeds generated from the capital improvements sales tax, a 1/2 cent City sales tax increase approved by the voters on August 3, 1993. The Series 2003 Bonds are not legal obligations of SLPD or the City, but are to be paid by the lease payments described below:

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 1,020	117	1,137
2005	1,210	105	1,315
2006	1,235	80	1,315
2007	1,255	55	1,310
2008	1,945	21	1,966
	<u>\$ 6,665</u>	<u>378</u>	<u>7,043</u>

j. Component Unit—HSTRC Long-Term Liabilities

The following represents a summary of changes in long-term liabilities for HSTRC for the year-ended June 30, 2003:

	<u>Balance, June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2003</u>	<u>Due Within One Year</u>
Note payable	\$ 14	—	14	—	—

14. CAPITAL LEASES

Certain City services are provided by equipment financed under various capital lease agreements as follows:

a. Capital Lease—Rolling Stock

In March 2000, the City entered into a capital lease agreement with Banc One Leasing Corporation in the amount of \$9,000 at a rate of 5.8%. Proceeds of the lease are to be used to purchase certain rolling stock such as dump trucks and refuse trucks. In September 2002, the City refinanced its existing capital lease agreement with Banc One Leasing Corporation resulting in a new balance of \$7,889. This revised capital lease agreement supercedes the capital lease agreement entered into during March 2000. In addition to refinancing the existing lease, the proceeds of the lease are to be used to purchase certain rolling stock, such as dump trucks and refuse trucks, and computer software and hardware. The lease agreement payments are due in semi-annual installments from 2003 through 2009 with an annual interest rate of 3.6%. Principal payments of \$907 were made on the revised lease agreement in fiscal year 2003.

Additionally, in June 2003, the City amended its capital lease agreement with Banc One Leasing Corporation to increase the capital lease by \$4,002 in order to finance the acquisition of additional rolling stock. This portion of the capital lease is due in annual installments from 2004 through 2018 with an annual interest rate of 4.78%.

Year ending June 30:	
2004	\$ 2,400
2005	2,488
2006	2,227
2007	1,301
2008	635
2009 – 2013	2,311
2014 – 2018	1,940
Total future minimum lease payments	<u>13,302</u>
Amount representing interest	<u>(2,318)</u>
Present value of net minimum lease payments	<u>\$ 10,984</u>

Capital assets (equipment) of \$10,419 are recorded by the City on its statement of net assets in conjunction with this capital lease.

b. Other Capital Leases

The City has a capital lease agreement for the purchase of digital equipment. This lease is due in annual installments from 2004 through 2005 with an annual interest rate of 4.97%.

Year ending June 30:	
2004	\$ 94
2005	94
Total future minimum lease payments	<u>188</u>
Amount representing interest	<u>(13)</u>
Present value of net minimum lease payments	<u>\$ 175</u>

Capital assets (equipment) of \$223 are recorded by the City on its statement of net assets in conjunction with this capital lease.

c. Capital Lease—Kiel Site Project

The City has a master lease agreement with SLDC, whereby the City has leased Stadium East Redevelopment Project and related property and portions of the City Block 210 (the Kiel Premises) to SLDC.

SLDC subleases the Kiel Premises back to the City. In 1998, SLDC issued two series of bonds for the purpose of refunding the outstanding bonds on which the City's lease payments were based. Pursuant to the master lease agreement, the lease payments made by the City are to be used by SLDC to fund annual debt service payments for SLDC's Kiel Site Lease Revenue Refunding Bonds, Series 1997A and B in the original amount of \$13,605. The Series 1997A and B bonds were issued by SLDC in September 1997, and the proceeds were used to retire SLDC's Stadium East Redevelopment Project Lease Revenue Bonds, Series 1990 and 1992. The capital lease obligation is recorded as a long-term liability. The City's lease payments are payable from the general fund. The following is a schedule, by years, of the future

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

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minimum lease payments together with the present value of the net minimum payments for the Kiel Premises as of June 30, 2003.

Year ending June 30:	
2004	\$ 972
2005	974
2006	970
2007	970
2008	974
2009 – 2013	4,843
2014 – 2018	4,848
2019 – 2022	3,914
Total future minimum lease payments	18,465
Amount representing interest	(6,660)
Present value of net minimum lease payments	\$ 11,805

No capital assets are recorded by the City on its statement of net assets in conjunction with this capital lease due to the proceeds of this obligation being used for demolition and site preparation.

15. LEASEHOLD REVENUE IMPROVEMENT AND REFUNDING BONDS**a. Civil Courts**

On June 1, 2003, the SLMFC issued \$23,400 in Leasehold Revenue Refunding Bonds (Series 2003A) with an average interest rate of 4.02% to advance refund \$22,480 of Series 1994 Bonds with an average interest rate of 6.08%. The net proceeds of \$24,434 (after the addition of a \$1,811 premium less a payment of \$777 in issuance costs) were deposited with the escrow agent under the escrow deposit agreement and, together with interest earnings thereon, will be applied to the payment of principal and interest on the Series 1994 Bonds maturing on August 1, 2003 and 2004, and to the redemption on August 1, 2004 of the remaining Series 1994 Bonds. As a result, the Series 1994 Bonds are considered defeased, and the liability for those bonds has been removed from the basic financial statements. As of June 30, 2003, \$22,480 in of these defeased Series 1994 bonds remain outstanding.

The advance refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$1,954. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through 2014 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 1994 Bonds to reduce its total debt service payments over the next 10 years by approximately \$1,130 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,098.

b. Convention Center

On July 15, 1993, SLMFC issued \$153,607 in Leasehold Revenue Refunding Bonds (Series 1993A and B Bonds) in two series. The Series 1993A and B Bonds were issued to refund bonds previously issued by

SLDC (SLDC Bonds). Pursuant to the SLDC Bonds, SLDC held title to the Convention Center. Once the proceeds of the Series 1993A and B Bonds were deposited in an irrevocable trust to pay the principal and interest on the outstanding SLDC Bonds and certain other conditions were satisfied, the Convention Center property was conveyed to SLMFC. The Series 1993A Bonds consisted of current interest bonds (\$51,330 serial bonds and \$90,465 term bonds) ranging in rates from 3.0% to 6.0% and compound interest bonds with an initial offering price of \$2,567 and a final maturity amount on July 15, 2014 of \$9,615. The yield to maturity for the compound interest bonds at the initial offering price was 6.4%. The Series 1993B Bonds in the amount of \$9,245 were taxable serial bonds with a final maturity on July 15, 2001, and interest rates ranging from 3.9% to 6.65%. Lease payments calculated to meet the principal, interest, and other costs related to the Series 1993A and B Bonds are paid for in the City's general fund.

On April 15, 2003, the SLMFC issued \$118,575 in Leasehold Revenue Refunding Bonds (Convention Center Project) with an average interest rate of 4.67% to advance refund \$119,960 of the Series 1993A Bonds with an average interest rate of 5.87%. The net proceeds of \$125,373 (after the addition of a \$9,439 premium less a payment of \$2,641 in issuance cost) were deposited with the escrow agent under the escrow deposit agreement to be applied on July 15, 2003 to the redemption of \$119,960 of Series 1993A current interest leasehold revenue bonds. As a result, this portion of the Series 1993A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements. As of June 30, 2003, \$119,960 in these defeased Series 1993A Bonds remain outstanding.

The advance refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$5,413. This difference, reported in the accompanying financial statements as a reduction of bonds payable, is being charged to operations through the year 2015 using the straight-line method, which approximates the effective interest method.

The City advance refunded the Series 1993A Bonds to reduce its total debt service payments over the next 10 years by approximately \$13,245 and to obtain economic gain (difference between the present values of the debt service payments on the old and new debt) of \$10,521.

c. Justice Center

In August 1996, the SLMFC issued \$75,705 in Leasehold Revenue Improvement Bonds, Series 1996A (Series 1996A Bonds) and \$34,355 Leasehold Revenue Improvement and Refunding Bonds, Series 1996B (Series 1996B Bonds) (collectively, the 1996 Justice Center Bonds). The Series 1996A Bonds include serial bonds in the principal amount of \$20,155 and term bonds in the principal amount of \$55,550. The Series 1996B Bonds include serial bonds in the principal amount of \$23,500 and term bonds in the principal amount of \$10,835. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund redemption prior to their stated maturity dates.

The City's payments are secured by a pledge between the City and the trustee for the 1996 Justice Center Bonds, which authorizes the State to make direct payment to the trustee of the City's per diem reimbursement entitlements for costs incurred in boarding State prisoners. The City's payments are further insured by AMBAC. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the capital projects fund. Interest rates on the 1996 Justice Center Bonds range from 4.25% to 6.0%.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

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Proceeds from the Series 1996A Bonds are being used to construct the City Justice Center, which will replace the former municipal jail that has been demolished and will house a total of 732 prisoners. When completed, the facility will be a major addition to the City's justice system, bringing total detention capacity to over 1,500 beds. The City Justice Center site is located east of City Hall, south of the city-owned Carnahan Building, and west of the Thomas F. Eagleton Federal Courthouse. The City Justice Center is designed to meet standards established by the American Correctional Association.

In February 2000, the SLMFC issued \$22,025 in City Justice Center Leasehold Revenue Improvement Bonds (Series 2000A Bonds) for the purpose of financing the completion of the City Justice Center, and funding the debt service reserve fund with respect to the Series 2000A Bonds, and paying costs of issuance of the Series 2000A Bonds. The Series 2000A Bonds, bearing a stated maturity of February 15, 2010, are not subject to redemption prior to their stated maturities. The Series 2000A Bonds, bearing a stated maturity of February 15, 2011 are subject to optional redemption and payment prior to their stated maturities at the election of SLMFC, upon direction and instruction by the City on February 15, 2010, and, at any time thereafter, as a whole at any time in part at any time, and if, in part, in such order as the SLMFC shall determine, upon the direction and instruction by the City in its sole discretion, at redemption prices ranging from 100% to 101%, plus accrued interest thereon, to the redemption date.

The principal amount of the bonds outstanding is recorded as a long-term liability of the City. The City's payments for debt service are payable from the capital projects fund. Interest rates on the Justice Center 2000A Bonds range from 4.75% to 6.0%.

On September 1, 2001, the SLMFC issued \$62,205 in City Justice Center Leasehold Revenue Bonds (Series 2001A bonds) with an average interest rate of 4.93% to advance refund \$58,115 of Series 1996A bonds with an average interest rate of 5.93%. The net proceeds of \$62,789 (after the addition of a \$1,935 premium less the payment of \$1,351 in issuance costs) were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the \$58,115 principal of the 1996A bonds. As a result, this portion of the Series 1996A Bonds are considered to be defeased, and the liability for those bonds has been removed from the basic financial statements. As of June 30, 2003, \$58,115 of these defeased Series 1996A Bonds remain outstanding.

The advance refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$4,674. This difference, reported in the accompanying basic financial statements as a reduction of bonds payable, is being charged to operations through the year 2018 using the straight-line method, which approximates the effective interest method.

d. Forest Park

On March 1, 1997, the SLMFC issued \$19,270 in Forest Park Leasehold Revenue Improvement Bonds, Series 1997 (Series 1997 Bonds). The City has agreed, subject to annual appropriation, to make payments from the Forest Park Subaccount in the capital projects fund sufficient for the prompt payment when due of the principal, and interest on the Series 1997 Bonds. As long as any Series 1997 Bonds remain outstanding, the percentage of the one-half cent capital improvements sales tax approved by City voters on August 3, 1993 allocated to the Forest Park subaccount may not be reduced. Payments of principal and interest on the Series 1997 Bonds are insured by a policy of municipal bond insurance issued by Financial Guaranty Insurance Company. Interest is payable February 15 and August 15 of each year and principal

is payable February 15 of each year until final maturity in 2022. Interest rates on the serial bonds payable 1998 through 2012 range from 3.7% to 5.375% and the term bonds due in 2017 and 2022 have a rate of 5.5%. The City's debt service payments are made from the capital projects fund.

The proceeds of the Series 1997 Bonds are being used to fund a major portion of the City's contribution toward the estimated \$86,000 Forest Park Master Plan (Plan). Forest Park, owned by the City, is one of the largest urban parks in the United States, encompassing 1,293 acres in the western portion of the City. As home to most of the region's important cultural institutions, including the Missouri History Museum, the St. Louis Art Museum, the St. Louis Science Center, the Municipal Opera Theater, the World's Fair Pavilion, the Jewel Box, Steinberg Rink, and the St. Louis Zoo, it is a regional magnet drawing 10 to 12 million visitors (five times the population of the region) per year. After two years of planning, the City adopted the Plan in 1995 to integrate Forest Park's natural and man-made systems into a cohesive and mutually beneficial ecosystem. The Plan emphasizes technical and environmental designs that are economical to maintain with a "river-like" flowing water system, simplified road system, and an added 7,500 trees. The Plan is expected to be completed in five phases by 2004, the 100-year anniversary of the 1904 St. Louis World's Fair which was held in Forest Park. Forest Park Forever, a nonprofit corporation unrelated to the City, has been selected to lead the campaign for raising the estimated \$43,000 needed from private individual and corporate donors to implement the Plan.

e. Firemen's System

On April 1, 1998, the SLMFC issued \$28,695 in Firemen's Retirement Systems Lease Revenue Bonds, Series 1998 (Series 1998 Bonds). Interest is paid semiannually on the bonds at the rate of 5.6% to 6.55%. The Series 1998 Bonds are subject to mandatory sinking fund redemption prior to maturity.

The City has covenanted, subject to annual appropriation, to pay rental payments at such times and in such amounts as are necessary to assure that no default in the payment of principal, premium, or interest on the Series 1998 Bonds occurs. The Series 1998 Bonds are further secured by a mortgage and deed of trust lien upon the facility (defined as the sites, building, structures, improvements, and fixtures occupied by the City's Fire Department Headquarters Building and 30 neighborhood engine houses) pursuant to the Deed of Trust and Security Agreement dated as of April 1, 1998. The principal amount of the bonds outstanding is recorded as a long-term liability. The City's payments for debt service are payable from the general fund.

The proceeds derived from the sale of the Series 1998 Bonds will be used to prepay a portion of the City's unfunded accrued actuarial liabilities in the form of a contribution to the Firemen's Retirement System and to pay cost of issuance for the Series 1998 Bonds.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

f. Carnahan Courthouse

On April 1, 2002, the SLMFC issued \$21,750 in Leasehold Revenue Bonds, Series 2002A (Series 2002A). The bonds include serial bonds in the principal amount of \$12,310, and term bonds in the amount of \$9,440. Interest is payable semiannually on all bonds. The term bonds are subject to mandatory sinking fund prior to their stated maturity date of February 15, 2027. The mandatory redemption begins February 15, 2023 and each February 15th thereafter, including February 15, 2027. The proceeds of the Series 2002A bonds are being used to finance the acquisition and renovation of the Carnahan Courthouse.

The City's payments are secured by a pledge agreement between the City and the Series 2002A trustee. The City's payments are further insured by the Financial Guaranty Insurance Company (FGIC). Interest rates on the bonds range from 4.81% to 5.40%.

Principal and interest requirements for the Leasehold Revenue Improvement and Refunding Bonds are as follows:

	Civil Courts		Convention Center	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2004	\$ 1,085	578	-	4,089
2005	1,850	911	7,065	5,387
2006	1,905	853	8,755	5,114
2007	1,985	769	9,590	4,764
2008	2,075	677	13,445	4,277
2009 – 2013	9,235	1,734	59,875	12,311
2014 – 2015	5,265	195	22,412	7,912
	<u>\$ 23,400</u>	<u>5,717</u>	<u>121,142</u>	<u>43,854</u>
	Justice Center		Forest Park	
	Principal	Interest	Principal	Interest
Year ending June 30:				
2004	\$ 4,700	6,032	490	887
2005	4,935	5,797	515	865
2006	5,380	5,544	540	841
2007	5,860	5,268	565	816
2008	6,160	4,964	590	788
2009 – 2013	39,100	19,731	3,435	3,453
2014 – 2018	45,725	8,719	4,480	2,414
2019 – 2020	5,570	409	5,995	960
	<u>\$ 117,430</u>	<u>56,464</u>	<u>16,610</u>	<u>11,024</u>
	Fireman's System			
	Principal	Interest		
Year ending June 30:				
2004	\$ 1,935	1,187		
2005	2,055	1,062		
2006	2,185	927		
2007	2,325	784		
2008	2,475	629		
2009 – 2011	8,430	850		
	<u>\$ 19,405</u>	<u>5,439</u>		

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

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	Carnahan Courthouse	
	Principal	Interest
Year ending June 30:		
2004	\$ —	1,139
2005	—	1,139
2006	—	1,139
2007	—	1,139
2008	—	1,139
2009 – 2013	—	5,693
2014 – 2018	5,880	4,179
2019 – 2023	7,605	3,323
2024 – 2027	8,265	1,137
	<u>\$ 21,750</u>	<u>20,027</u>

16. JOINT VENTURE FINANCING AGREEMENT**a. St. Louis Regional Convention and Sports Complex Authority (Authority)**

In April 1990, the Authority was established as a separate legal entity by an act of the Missouri State legislature to acquire, purchase or lease, and construct, operate, and maintain convention centers, sports stadiums, field houses, indoor and outdoor convention, recreational, and entertainment facilities, and to do all things incidental or necessary to facilitate these purposes.

b. Series C 1991 Bonds and Series C 1997 Bonds (Series C Bonds)

On August 15, 1991, the City sponsored the issuance of \$60,075 in Convention and Sports Facility Project Bonds Series C 1991 (Series C 1991 Bonds). The Series C Bonds were issued by the Authority, together with the proceeds of the Authority's \$132,910 principal amount of Convention and Sports Facility Project Bonds, Series A 1991 (State, Sponsor) (Series A Bonds) and the Authority's \$65,685 principal amount of Convention and Sports Facility Bonds, Series B 1991 (County, Sponsor) (Series B Bonds). The Series A Bonds, the Series B Bonds, and the Series C 1991 Bonds (collectively, the Project Bonds) were issued for the purpose of providing funds to finance the costs of acquiring land and constructing thereon an eastward expansion of the Cervantes Convention Center to be used as a multipurpose convention and indoor sports facility (Project). On December 15, 1993, the Authority issued \$121,705 in Series A refunding bonds and \$60,180 in Series B refunding bonds to advance refund \$101,410 of Series A Bonds and \$50,275 of Series B Bonds, respectively.

During February 1997, the Authority issued Convention and Sports Facility Project and Refunding Bonds Series C 1997 (Series C 1997 Bonds) in the amount of \$61,285. The proceeds were used to refund, in advance of maturity, \$47,155 of the Series C 1991 bonds. A portion of the Series C 1991 Bonds maturing on August 15, 2021 are not subject to optional redemption and \$8,820 remain outstanding. Approximately \$2,100 of the proceeds were used for various project improvements.

The Authority entered into a Project Financing Construction and Operation Agreement (Financing Agreement) dated August 1, 1991 with the City, State, and County (collectively, the Sponsors) providing for the application of the proceeds of the Project Bonds, for the repayment of the Project Bonds, and for the operation and maintenance of the Project. Pursuant to the Financing Agreement, the Authority will lease the Project to the Sponsors who will sublease the project back to the Authority. The rental payments made by the Sponsors under the Financing Agreement are designed to be sufficient to pay the principal and interest on the Project Bonds. The preservation payments to be made by the Sponsors under the Financing Agreement will be used to pay for repairs and replacement of major Project components and renovation necessary to maintain the Project. A portion of the preservation payments from each sponsor was deposited to the bond fund of the Authority each year from 1994 through 1999 to pay principal and interest on the Project Bonds. On August 1 and February 1 of each year, the City is obligated (subject to appropriations) to make rental payments of \$2,500 and preservation payments of \$500 regardless of the principal and interest payments due.

At June 30, 2003, the City's obligation for the Series C Bonds and net preservation payments (after deposits to the bond fund) payable from the general fund under the Financing Agreement is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Preservation Payments</u>	<u>Total</u>
Year ending June 30:				
2004	\$ 1,885	3,049	1,066	6,000
2005	2,010	2,939	1,051	6,000
2006	2,105	2,842	1,053	6,000
2007	2,200	2,739	1,061	6,000
2008	2,310	2,630	1,060	6,000
2009 – 2013	13,400	11,209	5,391	30,000
2014 – 2018	17,375	7,127	5,498	30,000
2019 – 2022	17,530	1,972	1,498	21,000
	<u>\$ 58,815</u>	<u>34,507</u>	<u>17,678</u>	<u>111,000</u>

Series C Bonds' principal and the preservation payments are included in the City's basic financial statements as a long-term liability.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

17. REVENUE BONDS PAYABLE**a. Airport**

Bonds outstanding at June 30, 2003 are summarized as follows:

Bond Series 1993, interest rates ranging from 6.1% to 6.15%, payable in varying amounts through 2005	\$ 23,805
Bond Series 1993A, interest rate of 6.4%, payable in varying amounts through 2006	6,735
Bond Series 1996, interest rates ranging from 5.05% to 5.35%, payable in varying amounts through 2008	15,885
Bond Series 1997, interest rates ranging from 4.40% to 6%, payable in varying amounts through 2028	193,785
Bond Series 1998, interest rates ranging from 4.0% to 5.13%, payable in varying amounts through 2016	68,280
Bond Series 2001A, interest rates ranging from 4.13% to 5.63%, payable in varying amounts through 2032	435,185
Bond Series 2002, Series A, B, and C, interest rates ranging from 2.0% to 5.38%, payable in varying amounts through 2032	117,985
Bond Series 2003A, interest rates ranging from 2.38% to 5.25%, payable in varying amounts through 2019	70,340
Bond Series 2003B, interest rates ranging from 1.88% to 2.05%, payable in varying amounts through 2006	29,520
	<u>961,520</u>
Less:	
Current maturities	(27,725)
Unamortized discounts and premiums	5,990
Deferred amounts on refunding	(9,196)
	<u>\$ 930,589</u>

On December 19, 2002, the Airport issued \$69,195 in Series 2002A (Capital Improvement Program) Airport Revenue Bonds for the purpose of financing or reimbursing a portion of the cost of construction, improvement, renovation, expansion, rehabilitation, and equipping of certain capital improvement projects at the Airport. The net proceeds from the Series 2002A Bonds were \$68,886 (after the addition of \$1,710 net issue premium and the payment of \$2,019 in underwriting fees, insurance, and other issuance costs). The Series 2002A Bonds are secured by the net revenues from the operations of the Airport.

On December 19, 2002, the Airport issued \$31,755 in Series 2002B (Capital Improvement Program) Airport Revenue Bonds for the purpose of financing or reimbursing a portion of the cost of construction, improvement, renovation, expansion, rehabilitation, and equipping of certain capital improvement projects at the Airport. The net proceeds from the Series 2002B Bonds were \$30,751 (after the deduction of \$83 original issue discount and the payment of \$921 in underwriting fees, insurance, and other

issuance costs). The Series 2002B Bonds are secured by the net revenues from the operations of the Airport.

On December 19, 2002, the Airport issued \$17,035 in Series 2002C Revenue Refunding Bonds with an average interest rate of 4.8% to current refund \$17,070 of outstanding 1992 Series bonds with an average interest rate of 5.7%. The net proceeds of \$17,584 (after the addition of a net issue premium of \$925 and payment of \$376 in underwriting fees, insurance, and other issuance costs) plus an additional \$429 of 1992 Series debt service monies were deposited into an irrevocable trust with an escrow agent to redeem the 1992 Series on February 1, 2003 at a premium of \$341.

The current refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$1,047. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the bonds outstanding method. The Airport completed the current refunding to reduce its total debt service payments over the 12 years by \$1,370 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$951.

On February 25, 2003, the Airport issued \$70,340 in Series 2003A Revenue Refunding Bonds with an average interest rate of 5.4% to refund \$75,780 of outstanding 2000 Series Letter of Intent Bonds with an average interest rate of 7.1%. The net proceeds of \$73,024 (after the addition of a net issue premium of \$4,453 and payment of \$1,769 in underwriting fees, insurance, and other issuance costs) plus an additional \$36,036 of 2000 Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the 2000 Series Letter of Intent Double Barrel Revenue Bonds on July 1, 2003 at a premium of \$674. As a result, the 2000 Letter of Intent Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$2,714. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2008 using the bonds outstanding method. The refunding has resulted in an increase in total debt service payments over the next 15 years by \$11,998 and an economic gain (difference between the present value of the old and new debt service payments) of \$6,025.

On May 29, 2003, the Airport issued \$29,520 in Series 2003B Taxable Revenue Refunding Bonds with an average interest rate of 2.1% to refund \$12,990 of outstanding 1993 Series Taxable Revenue Refunding bonds maturing July 1, 2005 and \$14,800 of outstanding 1993A Series Taxable Revenue Refunding bonds maturing July 1, 2004 and 2005 with an average interest rate of 8.1%. The net proceeds of \$28,945 (after the addition of a net issue premium of \$31 and payment of \$606 in underwriting fees, insurance, and other issuance costs) plus an additional \$3,238 of 1993 and 1993A Series debt service monies were deposited into an irrevocable trust with an escrow agent to provide for the redemption of the 1993 Series payment maturing July 1, 2005 and 1993A Series payment maturing July 1, 2004 and 2005 on July 1, 2003 at a premium of \$556. As a result, the portion of 1993 Series payment maturing July 1, 2005 and the portion of 1993A Series payments maturing July 1, 2004 and 2005 are considered to be defeased and the liability for those bonds have been removed from the financial statements.

City of St. Louis, Missouri

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June 30, 2003

(dollars in thousands)

The refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$885. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2005 using the bonds outstanding method. The Airport completed the refunding to reduce its total debt service payments over the next 12 years by \$1,343 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$583.

On June 12, 2003, the Airport advance refunded \$3,465 of Series 1996 Bonds and \$2,820 of Series 1997 Bonds by placing funds in an irrevocable trust to provide for the July 1, 2003 debt service payment on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Airport's financial statements. At June 30, 2003, \$3,465 of the 1996 Series Bonds and \$2,820 of the Series 1997 Bonds are considered defeased.

The deferred amounts on refunding of \$9,196 at June 30, 2003 relate to the refunded Bond Series 1984, Bond Series 1987, Bond Series 1992, Bond Series 1993, Bond Series 1993A, and Bond Series 2000, and are included in revenue bonds payable. The deferred amounts on refunding are amortized as a component of interest expense using the bonds outstanding method over the life of the new bonds.

The Airport was in compliance with all significant bond covenants with respect to the above issues at June 30, 2003. Interest payments on the above issues are due semiannually on January 1 and July 1.

As of June 30, 2003, the Airport's aggregate debt service requirements for the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 27,725	33,857	61,582
2005	39,060	46,996	86,056
2006	23,390	45,659	69,049
2007	16,235	44,906	61,141
2008	31,495	43,786	75,281
2009 – 2013	157,645	195,572	353,217
2014 – 2018	184,580	149,161	333,741
2019 – 2023	170,055	102,492	272,547
2024 – 2028	182,770	58,315	241,085
2029 – 2033	128,565	15,324	143,889
	<u>\$ 961,520</u>	<u>736,068</u>	<u>1,697,588</u>

In prior years, the Airport advance refunded \$221,715 of Airport Revenue Bonds by placing funds in an irrevocable trust to provide for all future debt service payments on these bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2003, \$97,925 of outstanding revenue bonds are considered defeased.

b. Water Division

Water revenue bonds outstanding at June 30, 2003 are payable solely from, and secured by, a pledge of net revenues from the operation of the Water Division and are summarized as follows:

Series 1994 Water Revenue Bonds, 5.7% to 5.95%, payable in varying amounts through July 1, 2006	\$ 9,745
Series 1998 Water Revenue Bonds, 4.1% to 4.75% payable in varying amounts through July 1, 2014	29,175
	<u>38,920</u>
Less:	
Current maturities	(2,235)
Deferred amount on refunding of a portion of the 1994 Water Revenue Bonds	(1,818)
Unamortized discounts	(163)
	<u>\$ 34,704</u>

1) Series 1994 Water Revenue Bonds

In April 1994, the Water Division issued \$51,570 in revenue refunding and improvement bonds (Series 1994 Bonds). The Series 1994 Bonds are payable solely from, and secured, by the revenues of the waterworks system. The Series 1994 Bonds were issued as part of the \$170,000 of bonds approved by voters at an election held April 6, 1993. The Series 1994 Bond proceeds were principally used to finance the construction of improvements to the waterworks system, to refund and defease all of the outstanding Series 1985 Bonds, and pay the costs of the bonds' issuance. Proceeds of the Series 1994 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by Financial Guaranty Insurance Company. This policy, which guarantees the payment of principal and interest on the Series 1994 Bonds, is noncancelable and extends for the term of the Series 1994 Bonds. The Water Division is subject to certain covenants under the Series 1994 Bonds.

As noted above, a portion of the Series 1994 Bond proceeds will fund the construction of certain improvements to the waterworks system. These projects are: (1) improvements to the Chain of Rocks treatment plant sedimentation basin, (2) the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant, (3) chlorination system improvements at the Howard Bend and Chain of Rocks plants, and (4) the improvement of the Compton Hill Reservoir. These projects respond to changing environmental regulations and maintaining the integrity and reliability of the waterworks system.

Construction on the Compton Hill Reservoir and the rehabilitation of the 60-inch Conduit No. 1 from the Howard Bend treatment plant were completed in 1999 for total costs of \$22,664 and \$10,714, respectively. Chain of Rocks treatment plant sedimentation basins were completed in 2001 for a total cost of \$24,490. Chlorination system improvements were completed in 2002 for a total cost of \$7,268.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

2) Series 1998 Water Revenue Bonds

In December 1998, the Water Division issued \$29,225 in Water Revenue Refunding Bonds (Series 1998 Bonds) with an average interest rate of 4.56% to advance refund \$27,775 of the outstanding Series 1994 Bonds, maturing between 2007 and 2014, with an average interest rate of 6.02%. The net proceeds of \$28,451 (after the subtraction of an original issue discount of \$190 and the payment of \$584 in underwriting fees and other issuance costs) plus an additional \$2,508 of Series 1994 Bonds debt service fund monies were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the \$27,775 principal of the Series 1994 Bonds. As a result, this portion of the Series 1994 Bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. At June 30, 2003, \$27,775 of the defeased Series 1994 Bonds are outstanding.

The advance refunding resulted in an original difference between the reacquisition price and the net carrying amount of the old debt of \$3,257. This difference, with current carrying value of \$1,818, is reported in the accompanying financial statements as a reduction from revenue bonds payable and is being charged to operations through the year 2014 using the bonds outstanding method.

Proceeds of the Series 1998 Bonds were also used to pay the premiums of a municipal bond insurance policy issued by AMBAC Assurance Corporation. This policy, which guarantees the payment of principal and interest on the Series 1998 Bonds, is noncancelable and extends for the term of the Series 1998 Bonds. The Water Division is subject to certain covenants under the Series 1998 Bonds.

Debt service requirements to maturity of the 1994 and 1998 Water Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 2,235	1,727	3,962
2005	2,365	1,590	3,955
2006	2,500	1,444	3,944
2007	2,645	1,286	3,931
2008	2,850	1,169	4,019
2009 – 2013	17,970	3,610	21,580
2014 – 2015	8,355	203	8,558
	<u>\$ 38,920</u>	<u>11,029</u>	<u>49,949</u>

Interest payments are due semiannually on January 1 and July 1.

c. Parking Division

Revenue bonds outstanding at June 30, 2003 are as follows:

Series 1996 Revenue Bonds, interest rates ranging from 3.6% to 5.375%, payable in varying amounts through 2021	\$ 23,555
Series 1998 Revenue Bonds, interest rates ranging from 3.7% to 6.375%, payable in varying amounts through 2023	7,220
Series 1999 Revenue Bonds, interest rates ranging from 5.75% to 7.375%, payable in varying amounts through 2021	10,735
Series 2002 Revenue Bonds, interest rates ranging from 5.50% to 7.25% payable in varying amounts through 2028	21,005
	<u>62,515</u>
Less:	
Current maturities	(980)
Unamortized discount and deferred loss on refunding	(2,833)
	<u>\$ 58,702</u>

On August 28, 2002, the Parking Division issued \$21,005 in Subordinated Parking Revenue Bonds with interest rates ranging from 5.50% to 7.25%. The bonds consist of \$17,865 in Series 2002A Subordinated Tax Exempt Parking Revenue Bonds, and \$3,140 in Series 2002B Subordinated Taxable Parking Revenue Bonds. The bonds were issued for the purpose of paying the costs of acquisition and construction of two parking facilities in downtown St. Louis and redeeming the Parking Division's outstanding short-term revenue bonds payable. The net proceeds from the bonds were \$19,842 (after the deduction of an original issue discount of \$341 and the payment of \$822 in underwriting fees and other issuance costs). The Series 2002 bonds are secured solely by the revenues from the parking garages constructed and certain other pledged Parking Division revenues, and do not constitute a general obligation of the City.

On November 1, 1999, the Parking Division issued \$11,420 in Parking Revenue Bonds with interest rates ranging from 5.75% to 7.375%. The bonds consist of \$5,840 Series 1999A Tax Exempt Bonds and \$5,580 Series 1999B Taxable Bonds. The net proceeds of the bonds, after payment of costs of issuance and the required deposits to the Series 1999 debt service reserve fund, together with other available funds, are to be used to design, construct, and equip a public parking facility on land owned by the City.

On June 1, 1998, the Parking Division issued \$8,000 in Parking Revenue Bonds with interest rates ranging from 3.700% to 6.375%. The net proceeds of \$8,000 were used to construct and equip a parking facility at the Marquette Garage.

On December 5, 1996, the Parking Division issued \$25,820 in Parking Revenue Refunding Bonds with interest rates ranging from 3.600% to 5.375% to advance refund \$22,750 of outstanding Series 1992 bonds with interest rates ranging from 4.200% to 6.625%. The net proceeds of \$25,250 (after payment of \$570 of original issue discount) were used to pay underwriting fees, insurance, and other issuance costs, and the remaining proceeds were used to purchase U.S. government securities. Those

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1992 bonds. As a result, the Series 1992 bonds are considered defeased and the liability for those bonds have been removed from the financial statements. At June 30, 2003, no Series 1992 bonds remain outstanding.

The Parking Division issued the Series 1996 bonds with a par value of \$25,820 to (1) pay the remaining costs of completing the project (acquisition of real estate and the construction of a multilevel public parking garage and other parking facilities), (2) retire the Series 1992 bonds, (3) pay issuance costs and (4) fund the debt service reserve fund. The Series 1996 bonds are payable from, and secured by, a pledge of (1) revenues to be generated from the operation of the project, (2) certain other parking revenues derived from the activities of the Parking Division, and (3) certain revenues from parking fines and penalties collected by the City's Traffic Violations Bureau.

Debt service requirements for the Parking Division revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2004	\$ 980	3,563	4,543
2005	1,415	3,512	4,927
2006	1,500	3,432	4,932
2007	1,590	3,346	4,936
2008	1,680	3,254	4,934
2009 – 2013	10,255	15,898	26,153
2014 – 2018	14,395	11,895	26,290
2019 – 2023	21,500	2,472	23,972
2024 – 2028	9,200	1,929	11,129
	<u>\$ 62,515</u>	<u>49,301</u>	<u>111,816</u>

18. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2003 was as follows:

	<u>Balance June 30, 2002</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2003</u>
Tax revenue anticipation notes	\$ —	46,000	(46,000)	—

Additionally, the Parking Division has a standby bond purchase agreement with a financial institution whereby the financial institution has committed to purchase subordinated parking revenue bonds from the Parking Division at any time and from time to time in an aggregate principal amount not to exceed \$15,000 at any one time outstanding. Bonds issued pursuant to this agreement will bear interest at a tax-exempt rate selected by the financial institution, not to exceed 10% per annum. The agreement was terminated in fiscal year 2003 and, accordingly, no balance is outstanding as of June 30, 2003.

Following is a summary of the changes in short-term revenue bonds payable for the Parking Division for the year ended June 30, 2003:

	<u>Balance June 30, 2002</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2003</u>
Short-term revenue bonds	\$ 2,271	—	(2,271)	—

19. FORWARD PURCHASE AGREEMENTS

a. Objective of the Forward Purchase Agreements

The Airport, Water Division, and Parking Division have entered into five forward purchase agreements with financial institutions, which guarantee a fixed rate of return on the invested proceeds of the debt service and debt service reserve funds of certain revenue bond issuances. The Airport, Water Division and Parking Division entered into these agreements in order to ensure that their investments will earn a guaranteed rate of interest regardless of fluctuations in market interest rates.

b. Terms

1) Airport—Forward Purchase Agreement—I

In June 1995, the Airport entered into a forward purchase agreement with certain financial institutions. Under this agreement, the Airport received a lump-sum interest payment of \$7,209 (present value of future interest earnings based on an interest rate of 6.34%) and deposited it into the debt service accounts related to the Airport Revenue Bonds, Series 1987 (Bond Series 1987), Airport Revenue Refunding and Improvement Bonds, Series 1992 (Bond Series 1992), Taxable Airport Revenue Refunding Bonds, Series 1993 (Bond Series 1993), and Taxable Airport Revenue Bonds, Series 1993A (Bond Series 1993A). In exchange, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on the 15th of every month until the bonds mature, are called, or are refinanced. (The last of these bonds is scheduled to mature in 2015.) The institutions receive the actual interest earned on the Airport securities purchased every month. The difference between the fixed interest rate earned by the Airport and the variable interest rate paid to the institutions is recorded as a net adjustment to interest expense. In April 1996, this agreement was amended to replace the Bond Series 1987 with the Airport Revenue Refunding Bonds, Series 1996 (Bond Series 1996). A \$95 termination payment was made in consideration for the amendment. In December 2002, this agreement was amended to replace Bond Series 1992 with the Airport Revenue Refunding Bonds, Series 2002C (Bond Series 2002C). No payment was made in consideration for the amendment. The notional amount for this agreement is \$22,943, representing the current balance in the debt service funds for the Bond Series 1992, 1993, 1993A, 1996, 1998, and 2002 covered by the forward purchase agreement.

The Airport's obligation under this forward purchase agreement, representing the unamortized portion of the original lump-sum interest payment received by the Airport, is \$2,318 at June 30, 2003 and is recorded in other long-term liabilities.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

2) Airport—Forward Purchase Agreement—II

In September 1997, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on a semiannual basis from the proceeds within the debt service reserve account related to the Airport Revenue Bonds, Series 1997 (Bond Series 1997). The financial institutions have guaranteed that the securities will earn a rate of 6.18%. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called, or are refinanced. (The last of these bonds is scheduled to mature in 2027.) The notional amount for this agreement is \$14,970, representing the required minimum balance for the debt service reserve fund. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

3) Airport—Forward Purchase Agreement—III

In October 2000, the Airport entered into an additional forward purchase agreement with certain financial institutions. Under this agreement, the Airport has contracted to buy qualified eligible securities (as defined in the agreement) from these institutions on a semiannual basis from the proceeds within the debt service reserve account related to the Airport Revenue Bonds, Series 2000 (Bond Series 2000). The financial institutions have guaranteed that the securities will earn a rate of 6.47%. In February 2003, the Bond Series 2000 was refunded by the Series 2003A bonds. The agreement was revised to apply to the debt service reserve account for the Series 2003A bonds; the Airport received a \$1,325 termination fee in consideration of this revision, which is included in other nonoperating revenues. To the extent the securities earn a greater rate of return, the Airport is required to refund the differential to the financial institutions. To the extent the securities earn a lesser rate of return, the financial institution absorbs this loss upon selling the securities to the Airport. The agreement lasts until the bonds mature, are called, or are refinanced. (The last of these bonds is scheduled to mature in 2008.) The notional amount for this agreement is \$7,479, representing the required minimum balance for the debt service reserve fund. No amount was received or paid by the Airport at the inception of this forward purchase agreement.

4) Water Division

In February 1996, the Water Division entered into a forward purchase agreement with a financial institution. Under this agreement, the Water Division received a lump-sum interest payment of \$941 (present value of future interest earnings based on an interest rate of 6.20%) and deposited it into the waterworks revenue account pursuant to the Water Division's bond indenture. In exchange, the Water Division has contracted to buy qualified eligible securities (as defined in the agreement) with the funds on hand within the debt service fund of the Series 1994 Water Revenue Bonds from this institution on the 10th of every month until the bonds mature, are called, or are refinanced. (The last of these bonds is scheduled to mature in 2014.) The institution receives the actual interest earned on the Water Division securities purchased every month. During 1999, the forward purchase agreement was amended to include the Series 1998 Water Revenue Bonds account. The notional amount for this agreement is \$4,299, representing the current balance in the debt service funds for the Series 1994 and Series 1998 bonds.

The Water Division's obligation under this forward purchase agreement, representing the unamortized portion of the original lump-sum interest payment received by the Water Division, is \$501 at June 30, 2003, and is recorded in other long-term liabilities.

5) Parking Division

In August 1997, the Parking Division entered into a forward purchase agreement with a financial institution. Under this agreement, the Parking Division has contracted to buy qualified eligible securities (as defined in the agreement) from this institution on a semiannual basis from the proceeds within the debt service reserve fund and the parking trust fund associated with its Series 1996 bonds. While the Parking Division owns the security, the financial institution retains the earnings on the security. In return, the financial institution makes a semiannual payment to the debt service reserve fund and the parking trust fund equal to a 5.51% rate of interest applied to the investments within these funds. The agreement lasts until the bonds mature, are called, or are refinanced. (The last of these bonds is scheduled to mature in 2021.) The notional amount for this agreement is \$7,742, representing the required minimum balance for the debt service reserve fund and the parking trust fund.

c. Fair Value

The City's obligations associated with the Airport—Forward Purchase Agreement—I and the Water Division Forward Purchase Agreement are disclosed on the financial statements as other liabilities. This liability represents the unamortized portion of the initial lump sum payment received pursuant to these agreements.

The fair value of the remaining forward purchase agreements, under which no initial lump-sum payments were received, is recorded on the financial statements. As of June 30, 2003, the Airport—Forward Purchase Agreement—II had a fair value of \$6,019, the Airport—Forward Purchase Agreement—III had a fair value of \$1,466, and the Parking Division Forward Purchase Agreement had a fair value of \$1,560. These fair values were calculated using the following method: the variable rate of return to be retained by the financial institutions was assumed to be the rate of a return available at June 30, 2003 for a United States Treasury obligation with a comparable length of time remaining until maturity. The variable rate of return was then subtracted from the fixed rate of return guaranteed to the Airport, and multiplied by the securities required to be invested under the agreements for all future periods. The resulting differential in future cash flows was discounted to the present at the rate of a return available at June 30, 2003 for a United States Treasury obligation with a comparable length of time remaining until maturity.

d. Credit Risk

The forward purchase agreements' fair value represents the credit exposure of the Airport, Water Division, and Parking Division to the financial institutions as of June 30, 2003. Should the financial institutions fail to perform according to the terms of the agreement, the Airport, Water Division and Parking Division face a maximum possible loss equivalent to the agreements' fair value.

e. Interest Rate Risk

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The forward purchase agreement exposes the Airport, Water Division, and Parking Division to interest rate risk. Should interest rates increase above the levels guaranteed by the agreement, the financial institution, and not the Airport, Water Division, or Parking Division, would realize this increase in investment earnings.

f. Termination Risk

Should the Airport, Water Division, or Parking Division terminate the agreements or default on their obligations pursuant to the agreements, a termination payment would either be owed to or due from the financial institution, and would be calculated based upon market interest rate conditions at the time of the termination.

20. OPERATING LEASES

- a. At June 30, 2003, the City was committed under miscellaneous operating leases for office space. Future minimum base rental payments under terms of the operating leases are as follows:

Year ending June 30:	
2004	\$ 1,291
2005	794
2006	614
2007	560
2008	420
2009 – 2013	2,174
2014 – 2018	1,839
2019 – 2023	250
2024 – 2028	263
	<u>\$ 8,205</u>

- b. The Airport has long-term use agreements and leases with signatory air carriers, which expire on December 31, 2005. Under the terms of the use agreements and leases, the air carriers have agreed to pay airfield landing fees; terminal and concourse rentals; hangar, cargo, and maintenance facility rentals; and certain miscellaneous charges in consideration for use of the Airport. The use and lease agreements also require the Airport to make certain capital improvements and to provide maintenance of certain Airport facilities. Payments by the air carriers are determined as follows:

- Landing fees are calculated based on estimated operating and maintenance expenses of the airfield, and allocated to the air carriers on the basis of landing weights. Landing fee revenues are adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred and estimated and actual landing weights. These revenues are included in aviation revenue - airfield.
- Rentals are calculated based on estimated operating and maintenance expenses of the terminal and concourse areas and hangars, cargo, and maintenance facilities, and allocated to the air carriers on the basis of square footage utilized. Rental revenue is adjusted each year by retroactive rate adjustment, which is calculated as the difference between estimated and actual costs incurred. These revenues are included in aviation revenue.
- Miscellaneous income is derived from the air carriers for their use of sanitary disposal facilities and airline service buildings.

During fiscal year 2003, revenues from signatory air carriers accounted for 56% of total Airport operating revenues.

Minimum future rentals for each year in the next five years and in the aggregate are not determinable given the method of calculation.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The following is a summary of aviation revenue by category and source from signatory and nonsignatory air carriers for the year ended June 30, 2003:

	<u>Signatory</u>	<u>Nonsignatory</u>	<u>Total</u>
Airfield	\$ 45,280	4,545	49,825
Terminal and concourses	23,998	703	24,701
Hangars and other buildings	394	32	426
Cargo buildings	2,195	—	2,195
	<u>\$ 71,867</u>	<u>5,280</u>	<u>77,147</u>

The Airport also leases facilities and land with varying renewal privileges to various nonsignatory air carriers, concessionaires, and others. These leases, for periods ranging from 1 to 50 years, require the payment of minimum annual rentals. The following is a schedule by year of minimum future rentals on noncancellable operating leases, other than leases with signatory airlines, pursuant to long-term use agreements:

Year ending June 30:	
2004	\$ 22,410
2005	8,745
2006	8,059
2007	7,691
2008	7,534
2009 – 2013	27,952
2014 – 2018	6,144
2019 – 2023	3,879
2024 – 2028	3,562
2029 – 2033	3,562
2034 – 2038	1,069
Total minimum future rentals	<u>\$ 100,607</u>

The above amounts do not include contingent rentals that may be received under certain leases. Such contingent rentals amounted to \$19,403 for the year ended June 30, 2003.

The Airport leases computer and other equipment and has service agreements under noncancelable arrangements that expire at various dates through 2007. Expenses for operating leases and service agreements were \$3,302 for the year ended June 30, 2003. Future minimum payments (excluding payments for snow removal, which are not determinable) are as follows:

Year ending June 30:	
2004	\$ 124
2005	106
2006	62
2007	25
Total minimum future rentals	\$ <u>317</u>

c. Component Unit—SLDC

In December 1996, SLDC, in conjunction with the Community Development Agency (CDA), signed a five-year lease for office space, which commenced March 1997 with three months abated rent and thereafter, monthly base payments of \$38 through February 2002. In January 2001, SLDC signed an agreement to extend the lease for 15 years. The new agreement, which increased the base rent to \$47 and the leased space to 6,216 square feet, will end February 2017. SLDC also has sublease agreements with the Planning and Urban Design Development Agency (PDA) and CDA in effect through February 2017. Future minimum base rents under the terms of the lease agreements, net of sublease rents anticipated from CDA and PDA, are as follows:

Year ending June 30:	
2004	\$ 231
2005	239
2006	255
2007	255
2008	255
2009 – 2013	1,351
2014 – 2017	<u>1,004</u>
	\$ <u>3,590</u>

Rent expenditures, net of \$333 in rents received, were \$232 during the year ended June 30, 2003.

Additionally, at June 30, 2003, SLDC was committed for approximately 10 years under an original 25-year operating lease with the City, which requires annual rental payments of \$1 (in dollars) for certain property along the St. Louis Riverfront. Under the lease agreement, SLDC shall make improvements to the leased premises and award subleases for all or a portion of the leased premises.

d. Component Unit—SLPD

The SLPD leases buildings, computer equipment, and other miscellaneous items under noncancelable operating leases. Total expenditures for such leases were \$38 for the year ended June 30, 2003.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

21. INTERFUND BALANCES

Individual fund interfund receivable and payable balances as of June 30, 2003 are as follows:

Receivable Fund	Payable Fund	Amount
General fund	Special revenue—grants fund	\$ 8,565
	Enterprise:	
	Airport	1,559
	Water Division	888
	Parking Division	434
	Internal service funds	4,285
		<u>15,731</u>
Other governmental nonmajor funds	General fund	922
	Capital projects fund	287
	Other governmental nonmajor funds	282
		<u>1,491</u>
Enterprise—Airport	General fund	<u>15</u>
Internal service funds	General fund	3,833
	Enterprise:	
	Airport	1,884
	Water Division	5,535
	Parking Division	255
		<u>11,507</u>
		<u>\$ 28,744</u>

All of these interfund balances are due to either timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid during the fiscal year ending June 30, 2004, except for \$3,400 that the Water Division owes the internal service fund and \$2,972 that the general fund owes the internal service fund, both of which are due to a lawsuit, which is currently on appeal (see footnote 23f.)

22. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003 consisted of the following:

		Transfer from						
		General fund	Capital projects fund	Other governmental funds	Airport	Water Division	Parking Division	Total
Transfer To	General fund	\$ —	8,995	4,045	5,260	2,200	525	21,025
	Capital projects fund	1,320	—	23,276	—	—	—	24,596
	Other governmental funds	1,929	—	2,337	—	—	—	4,266
	Parking Division	—	—	474	—	—	—	474
		\$ 3,249	8,995	30,132	5,260	2,200	525	50,361

Interfund transfers were used to (1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance capital improvements and other funds in accordance with budgetary authorization, or (3) move revenues in excess of current year expenditures to other funds. Additionally, gross receipt payments from the Airport, the Water Division, and the Parking Division are handled as transfers from each respective enterprise fund to the general fund.

23. COMMITMENTS AND CONTINGENCIES

a. Grants

In connection with various federal, state, and local grant programs, the City is obligated to administer related programs and spend the grant monies in accordance with regulatory restrictions, and is subject to audit by the grantor agencies. In cases of noncompliance, the agencies involved may require the City to refund program monies. Through June 30, 2003, claims have been made on the City to make refunds under certain programs and other programs are still open as to compliance determination by the respective agencies. In the opinion of City officials, settlement of these matters will not result in a material liability to the City.

b. Landfill Closure

Pursuant to an agreement between the Missouri Department of Natural Resources (MDNR) and the City, the City will be closing the Hall Street Landfill. The property was a 47-acre demolition waste landfill located at 8700 Hall Street. The property is owned by SLDC. The City holds the operating permit and is responsible for the closing. In July 2001, the City entered into an irrevocable standby letter of credit in the amount of \$4,174 with MDNR as the beneficiary. MDNR may draw upon that letter of credit to complete the closure if the City does not fulfill its obligations under the agreement. As of June 30, 2003, no amounts had been drawn against the letter of credit by MDNR. At June 30, 2003, \$220 has been recorded as a liability, which is an estimate of expenses the City will incur for closure and postclosure costs. The closure plan, which has already been approved by MDNR, was scheduled to be completed in April 2003.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

The City has applied for an extension of the closure plan, but to date this has not been approved by MDNR.

c. Commitments

At June 30, 2003, the City had outstanding commitments amounting to approximately \$18,886, resulting primarily from service agreements.

Additionally, at June 30, 2003, the Airport had outstanding commitments amounting to approximately \$190,326, resulting primarily from contracts for construction projects both related and unrelated to the W-1W expansion project.

d. American Airlines, Inc.

American Airlines, Inc. (American) represents the major air carrier providing air passenger service at the Airport. American provided 44% of the Airport's total operating revenues and 61% of total revenues from signatory air carriers for the fiscal year ended June 30, 2003. Airport accounts receivable at June 30, 2003 contained \$8,263 relating to amounts owed to the Airport by American. This amount includes \$8,132 of unbilled aviation revenues at June 30, 2003.

1) Decision by American to Reduce Operations at the Airport

On July 16, 2003, American issued a press release that announced its intention to reduce its operations at the Airport effective November 1, 2003. According to the press release, American's activities at the Airport will be reduced as follows:

- The number of daily flights offered by American will be reduced from 417 to 207.
- American will discontinue nonstop flights to 27 cities.
- American will reduce the number of gates that it operates at the Airport.

In order to address the significant decrease in aviation activity caused by American's decision, Airport management has developed a plan comprised of the following action steps:

Action steps for the current operations include the following:

- Effective November 1, 2003, the Airport has increased the airfield-landing rate from \$2.45 to \$3.40 (in dollars) per thousand pounds of landed weight.
- The Airport reviewed its fiscal year 2004 operations and maintenance budget and identified annual reductions totaling \$7,000, consisting of eliminating 105 personnel positions (\$5,000) and reductions of various nonpersonnel expenses (\$2,000).
- The Airport reevaluated its five-year capital improvement program and deferred \$90,000 of improvements originally scheduled to be made in fiscal year 2004.
- The Airport developed a marketing campaign to aggressively pursue new service from existing or new airlines. As of the first quarter of fiscal year 2004, the Airport has successfully secured 27 additional flights from both existing and new carriers.

Action steps for Phase I of the Airport development program include:

- The Airport reevaluated its Phase I of the Airport development program, which resulted in the deferral of approximately \$85,000 in expenses.
- The Airport initiated discussion with the Federal Aviation Administration to secure an increase in either the Airport's current letter of intent funding or additional discretionary funds.

No assurance can be given as to the levels of aviation activity that will be achieved at the Airport in future fiscal years. Future traffic at the Airport is sensitive to a variety of factors including: (1) the growth in the population and the economy of the area served by the Airport; (2) national and international political and economic conditions, including the effects of the terrorist attacks of September 11, 2001, or any future attacks; (3) air carrier economics and air fares; (4) the availability and price of aviation fuel; (5) air carrier service and route networks; (6) the capacity of the air traffic control system; and (7) the capacity of the Airport/airways system.

The level of aviation activity at the Airport can have a material impact on the amount of total revenues generated at the Airport. However, Airport management believes the decline in Airport revenues is mitigated by the Airport use agreement, concession agreements, and other leases, which contain minimum annual revenue guarantees.

Use Agreement with American

In 1993, the City purchased from Trans World Airlines, Inc. (TWA) all of TWA's leasehold interests relating to the use of certain gates, terminal support facilities, air cargo facilities, and improvements at the Airport, together with related personal property and leasehold interest in a hangar, office building, and a flight training facility (Purchased Assets). TWA had a month-to-month lease covering the Purchased Assets with automatic renewals through December 31, 2005. In conjunction with the sale of TWA's assets to American on April 9, 2001, American assumed TWA's obligations under the lease agreement.

Under the lease agreement, if during any month American has an average of less than 190 regularly scheduled departures, the City has a right to reclaim and redesignate the use of the gates and terminal support facilities and equipment to other airlines so that American would retain only the number of gates that represents an average of 3.33 daily flight departures per gate. Also, under the lease agreement, if American fails to make a payment of any rents, fees, or charges, the City may terminate all of American's airport agreements and retain ownership of all assets acquired under the purchase transaction.

Lease revenue under the agreement was \$7,829 for the year ended June 30, 2003.

e. Airport Expansion

On September 30, 1998, the City received a favorable Record of Decision from the Federal Aviation Administration (FAA) for the W-1W expansion of the Airport, marking the beginning of a new economic era for aviation in St. Louis. The proposed \$2.6 billion program will provide the building blocks for a highly competitive "world class" aviation system for the 21st century, including one additional 9,000 foot

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

parallel runway to add capacity in all weather conditions, and renovation of the Airport's existing runway and taxiway system.

The construction for this program will be funded with Airport development funds, passenger facilities charges, FAA improvement program grants, and Airport revenue bonds. During fiscal year 2001, the Series 2000 Letter of Intent Double Barrel Revenue Bonds and the Series 2001A Airport Revenue Bonds were issued as part of the overall funding plan for this program. During fiscal year 2003, the Series 2002 Airport Revenue Bonds and Series 2003A Airport Revenue Refunding Bonds were issued to refinance the Series 2000 Letter of Intent Double Barrel Revenue Bonds and to provide additional financing for the project.

Lawsuits previously filed by the cities of St. Charles and Bridgeton, Missouri challenging the project have been adjudicated and fully reviewed by the appellate courts. In both cases, final judgments were rendered in favor of the City and the Airport.

Land acquisition activities relative to the expansion project are underway with approximately 2,100 parcels to be acquired. As of August 4, 2003, 1,461 offers have been extended; of these, 1,434 offers have been accepted; of these, 1,391 real estate transactions have been closed; of these, 1,332 properties have been vacated by the sellers and are in the possession of the Airport; and of these, 1,167 homes have been demolished.

Additionally, the Airport has entered into various construction contracts related to the expansion project.

f. Water Main Break

The City received a judgment during fiscal year 2002 from the Twenty-Second Judicial Circuit Court relating to damage caused to a private institution by a main break on a private fire line. This judgment was appealed. In September 2003, the Missouri Court of Appeals transferred the case to the Missouri Supreme Court. The Missouri Supreme Court has yet to rule on the case.

The City has determined that \$6,372, consisting of damages and postjudgment interest, is a probable loss for the City. Of this amount, the City has determined that \$3,400 will be funded by the Water Division, and the remaining \$2,972 will be funded by the general fund of the City.

g. Asbestos Removal

The Water Division has identified certain of its structures as having asbestos in place. As part of its continuing process of upgrading facilities, the costs for removal of the asbestos material and restoration or replacement of the affected areas are being included in budgets for capital projects. No mandatory time requirement is in effect. The removal plan would be accelerated by changes in plans for remodeling, if any.

h. Parking Expansion

The Parking Division has entered into a partnership with a developer for the construction of a new parking garage located in downtown St. Louis. The Parking Division is required to pay for the construction of the garage, and will receive full ownership and control upon the completion of the garage. Additionally, upon completion of the project, the Parking Division will exercise its option to purchase the developer's interest in the partnership. The option price is \$950 provided, however, that the option price shall be reduced, but not below \$100, by the difference between the actual costs and budgeted costs of construction of the garage. The Parking Division remitted the initial \$100 of the option price to the developer in fiscal year 2003; this amount is reflected on the statement of fund net assets for proprietary funds as construction in progress for the parking garage.

i. Component Unit—SLDC

In the normal course of its operations, certain lawsuits and legal action are pending against SLDC. In the opinion of SLDC officials and legal counsel, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of SLDC.

In addition, certain properties held for development may be subject to future environmental remediation costs. In the opinion of SLDC officials, these costs would not have a material adverse effect upon the financial position or the results of operations of SLDC.

SLDC has entered into various cooperative agreements with the Community Development Agency of the City as a subrecipient/administrator of the Community Development Block Grant programs.

j. Component Units—SLDC and SLPD

SLDC and SLPD receive financial assistance from several federal, state and local government agencies in the form of grants and contracts. The disbursements of funds received under these programs generally requires compliance with terms and conditions specified in the contract and grant agreements and is subject to audit by the granting agencies. Any disallowed claims resulting from such audits could become an SLDC or SLPD liability. However, in the opinion of their respective management, any such disallowed claims will not have a material effect on the financial statements of SLDC or SLPD at June 30, 2003.

24. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is self-insured with respect to its obligation to provide workers' compensation, general liability, unemployment benefits, and healthcare. The City has sovereign tort immunity from liability and suit for compensatory damages for negligent acts or omissions, except in the case of injuries arising out of the operation of City motor vehicles or caused by the condition of City property. The maximum claim settlement established by state statute for such claims is \$300 per person and \$2,000 per occurrence. Various claims and legal actions involving the City are presently pending. Additionally, a number of legal suits against SLPD are presently pending for alleged wrongful personal injuries, civil rights violations, and negligence in the line of duty. The City's policy is to record these

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

claims in its government-wide financial statements when it is probable that a liability has been incurred and the amount can be reasonably estimated.

For workers' compensation and general liability, the estimated liability for payment of incurred (both reported and unreported) but unpaid claims and claim adjustment expenditures of \$17,905 at June 30, 2003, relating to these matters is recorded in the self insurance internal service fund—PFPC. The City obtains periodic funding valuations from a claims-servicing company managing the appropriate level of estimated claims liability. Enterprise funds reimburse PFPC on a cost-reimbursement basis.

The City is also self-insured for healthcare coverage for employees and retirees, as well as employees of HSTRC and Tower Grove Park. The City pays the cost of the lowest available coverage for all City employees. Employees must pay, through bi-weekly payroll deductions, for a higher level of care, if desired, or for dependents and spouses. Retirees and employees of HSTRC and Tower Grove Park must contribute a monthly amount to cover the cost of their care if participating in the plan. All funding levels were actuarially determined at the start of the plan and are reevaluated at the beginning of each fiscal year.

For health insurance coverage, the estimated liability for payment of incurred but unpaid claims and claim adjustment expenditures of \$6,951 at June 30, 2003 relating to such matters is recorded in the self-insurance internal service fund—health.

The City maintains surety bonds on various employees that handle cash. In addition, the City purchases commercial insurance for other risks, including property damage and liability coverage applicable to the Airport and Cervantes Convention Center. There were no significant changes in coverage for the year ended June 30, 2003 and, for the years ended June 30, 2003, 2002, and 2001, settlements did not exceed coverage.

Changes in the self-insurance claims liability for the years ended June 30, 2003 and 2002 are as follows:

	Beginning balance	Current year claims and changes in estimates	Claim payments	Ending balance
2003	\$ 17,921	38,847	(31,912)	24,856
2002	10,185	20,689	(12,953)	17,921

Additionally, there are \$4,945 in general liability claims outstanding, which the City Counselor's office has determined there is a reasonable possibility that a loss contingency may be incurred but no accrual has been made within the government-wide financial statements or fund financial statements because the loss is not *both* probable and estimateable.

25. GRANT LOAN PROGRAMS

The City's general fund and grants fund include the activities of the CDA that, among other activities, makes loans to developers under the Housing Implementation Program. This program, which is administered for the City by certain financial institutions, provides funds to rehabilitate housing units for low and moderate-income families. These loans typically are noninterest-bearing, due in 25 years, and secured by a second deed

of trust. CDA also made loans under the Urban Development Action Grant (UDAG) program to assist organizations with development projects within the City. These loans typically have a lower-than-market interest rate and payback periods ranging from 10 to 40 years after completion of the projects.

Any funds received from the repayments of these loans are to be spent by the City in accordance with Community Development Block Grant program regulations. Since repayment of the loans is dependent on the success of projects that involve considerable risk, collectibility is not assured and, accordingly, the City reflects these loans as an expenditure of the grants fund in the year the loans are made. Any loan repayments are reflected as intergovernmental revenue (or deferred revenue if monies have not been spent) in the year of receipt.

26. COMPONENT UNIT—SLDC CONDUIT DEBT

SLDC facilitates the issuance of tax-exempt bonds for various private enterprises and government agencies. After the bonds are sold, the proceeds are typically used to purchase real estate or fund capital improvements for the respective organization. These organizations enter into lease agreements with SLDC that are, in substance, sales of the related properties or improvements. SLDC assigns these leases to various trusts that collect the lease payments to satisfy the debt service requirements. After SLDC assigns the leases to the trusts, the properties are no longer under their control and they have no liability for the bonds. Therefore, transactions related to the leases and the bond liability are not presented in SLDC's financial statements.

27. SUBSEQUENT EVENTS

a. Tax and Revenue Anticipation Notes

The City issues tax and revenue anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. In July 2003, the City issued \$50,000 in Tax and Revenue Anticipation Notes (2003 Notes) payable from the general fund. The 2003 Notes mature on June 25, 2004 and bear interest at a rate of 2.00% per year.

b. Loan Agreement with Missouri Department of Natural Resources

In July 2001, the City agreed to enter into a loan agreement with the MDNR pursuant to the Missouri Energy Efficiency Leveraged Loan Program in the amount of \$2,000 at an annual interest rate of 4.35%. (Refer to note 13g.) The City made draws of \$1,953 against the loan agreement subsequent to June 30, 2003. The purpose of the funding is to convert signal lights to LED fixtures resulting in a projected savings of \$395 per year in electricity costs. The City plans to pay the loan within a six-year period with the first payment due on February 1, 2004.

c. Tax Increment Financing Notes Payable

On October 20, 2003, the City issued tax increment financing notes payable in the amount of \$3,745, which are due in installments through February 1, 2014, and bear interest at a rate of 7.5%.

d. Airport Revenue Refunding Bonds

On July 11, 2003, the Airport advance refunded \$3,285 of Series 1997 Bonds by placing funds in an irrevocable trust to provide for the July 1, 2004 debt service payment on these bonds.

City of St. Louis, Missouri

Notes to Basic Financial Statements, Continued

June 30, 2003

(dollars in thousands)

e. Pending Dissolution of SLMFC—II

Subsequent to June 30, 2003, the City has filed an application seeking to dissolve the St. Louis Municipal Finance Corporation—II.

f. Issuance of Parking Division Revenue Bonds (Cupples Project) and Purchase of the Cupples Garage Facility

On November 30, 2003, the City of St. Louis Parking Commission Finance Corporation issued Tax-Exempt Parking Revenue Bonds (Cupples Garage Project) Series 2003A in the amount of \$6,730, and Taxable Parking Revenue Bonds (Cupples Garage Project) Series 2003B in the amount of \$6,882. The proceeds of the bonds were to be used to finance a portion of the costs of purchasing the parking facility known as the Cupples Garage. The Series 2003A bonds are due in installments through June 1, 2028 and bear interest at a rate not to exceed 12%. The Series 2003B bonds are due in installments through June 1, 2038 and bear interest at a rate of 5%. The bonds and interest thereon are limited nonrecourse obligations of the City of St. Louis Parking Commission Finance Corporation. The principal and interest of the bonds are payable solely from the revenues to be received from the operation of the project or from other funds made available for such purpose.

In December 2003, the Parking Division purchased the Cupples Garage with an adjacent surface parking lot and leased three separate nearby surface parking lots using the proceeds of the Series 2003A Tax-Exempt Parking Revenue Bonds and Series 2003B Taxable Parking Revenue Bonds.

g. Sale of Marquette Garage and Defeasance of Series 1998 Parking Revenue Bonds

On December 16, 2003, the Parking Division sold a parking facility at the Marquette Building to the Federal Reserve Bank of St. Louis. The proceeds of the sale along with certain reserve funds were deposited in an escrow account with the trustee to defease the Series 1998 Parking Revenue Bonds.

28. FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an Amendment of GASB Statement No. 14*, modifies the definition of component units for purposes of inclusion within the City's reporting entity. This statement will be effective for the City for the fiscal year ending June 30, 2004. Management of the City has not yet completed its assessment of the statement.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an Amendment of GASB Statement No. 3*, modifies existing, and imposes new, disclosure requirements relative to the City's cash and investments. This statement will be effective for the City for the fiscal year ending June 30, 2005. Management of the City has not yet completed its assessment of the statement.

City of St. Louis, Missouri
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes:				
Gross receipts	\$ 12,695	12,695	11,983	(712)
City earnings	127,500	127,500	120,206	(7,294)
Franchise	52,452	52,452	52,154	(298)
Sales	49,895	49,895	46,281	(3,614)
Property	43,834	43,834	42,457	(1,377)
Payroll	35,850	35,850	33,891	(1,959)
Motor fuel	8,950	8,950	8,831	(119)
Motor vehicle	3,600	3,600	3,364	(236)
Other	1,025	1,025	660	(365)
Total taxes	335,801	335,801	319,827	(15,974)
Licenses and permits:				
Graduated business	7,084	7,084	7,037	(47)
Cigarette	1,648	1,648	1,856	208
Building division	3,110	3,110	2,553	(557)
Communication transmission	1,000	1,000	1,544	544
Liquor	372	372	366	(6)
Other	418	418	1,118	700
Motor vehicle	1,425	1,425	1,348	(77)
Total licenses and permits	15,057	15,057	15,822	765
Intergovernmental:				
Juvenile detention center	2,821	2,821	2,456	(365)
Emergency medical services	3,000	3,000	3,351	351
Other intergovernmental	726	726	379	(347)
Total intergovernmental	6,547	6,547	6,186	(361)
Charges for services:				
Parks and recreation	432	432	433	1
Streets	2,871	2,871	2,406	(465)
Public safety	3,705	3,705	3,977	272
Health	332	332	406	74
Fee offices	5,183	5,183	6,345	1,162
Other	67	67	47	(20)
Services provided to other funds	4,694	4,694	4,404	(290)
Total charges for services	17,284	17,284	18,018	734
Court fines and forfeitures	5,592	5,592	4,561	(1,031)
Interest	2,365	2,365	163	(2,202)
Miscellaneous	4,753	4,753	4,906	153
Total revenues	387,399	387,399	369,483	(17,916)
EXPENDITURES (see pages 118 through 120)	283,181	283,940	274,550	9,390
Excess of revenues over expenditures	104,218	103,459	94,933	(8,526)
Other financing sources (uses):				
Transfers in	24,642	24,642	24,793	151
Transfers to component units	(130,242)	(130,242)	(126,260)	3,982
Transfers out	(6,599)	(6,589)	(2,147)	4,442
Total other financing sources (uses), net	(112,199)	(112,189)	(103,614)	8,575
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (7,981)	(8,730)	(8,681)	49

See accompanying independent auditors' report.

(continued)

Schedule 1, Continued

City of St. Louis, Missouri
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund

UNAUDITED

For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Personal Services	Actual Other Expenditures	Total Expenditures	Variance with Final Budget Positive (Negative)
General government:						
110 Board of Alderman	\$ 2,315	2,306	2,045	180	2,225	81
120 Mayor's Office	2,256	2,256	1,856	200	2,056	200
123 Department of Personnel	3,155	3,321	2,729	309	3,038	283
124 Registrar	148	148	128	15	143	5
126 Civil Rights Enforcement Agency	451	452	361	63	424	28
127 Information Technology Service Agency	-	2,128	835	522	1,357	771
137 Division of the Budget	5,976	3,761	2,357	1,350	3,707	54
139 City Counselor	6,007	6,024	3,659	2,232	5,891	133
160 Comptroller	7,861	7,910	4,056	3,688	7,744	166
162 Municipal Garage	259	260	242	16	258	2
163 Microfilm Section	315	318	237	53	290	28
170 Supply Commissioner	597	603	502	19	521	82
171 Multigraph Section	1,182	1,207	514	704	1,218	(11)
330 Tax Equalization Board	17	17	9	-	9	8
333 Recorder of Deeds	2,166	2,188	1,899	291	2,190	(2)
334 Election and Registration	3,046	3,046	1,867	873	2,740	306
340 Treasurer	650	658	653	19	672	(14)
Prior year encumbrance	963	962	-	112	112	850
Subtotal general government	37,364	37,565	23,949	10,646	34,595	2,970
190 City-wide Accounts	7,666	7,144	6,883	1,078	7,961	(817)
Total general government	45,030	44,709	30,832	11,724	42,556	2,153
Convention and tourism:						
930 Soldier's Memorial Building	195	195	147	57	204	(9)
Cervantes Convention Center	2,000	2,000	-	2,000	2,000	-
Total convention and tourism	2,195	2,195	147	2,057	2,204	(9)
Parks and recreation:						
210 Director of Parks, Recreation, and Forestry	383	409	367	37	404	5
213 Division of Recreation	2,223	2,245	2,080	113	2,193	52
214 Division of Forestry	6,571	6,624	6,025	167	6,192	432
220 Division of Parks	8,718	8,732	7,774	726	8,500	232
250 Tower Grove Park	700	700	-	690	690	10
Total parks and recreation	18,595	18,710	16,246	1,733	17,979	731

(continued)

City of St. Louis, Missouri
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund

UNAUDITED

For the year ended June 30, 2003

(dollars in thousands)

	Original Budget	Final Revised Budget	Personal Services	Actual Other Expenditures	Total Expenditures	Variance with Final Budget Positive (Negative)
Judicial:						
310 Circuit Court (Circuit Judges)	\$ 942	942	122	724	846	96
311 Circuit Court (General)	7,567	7,471	3,469	2,840	6,309	1,162
312 Circuit Attorney	5,589	5,638	5,128	385	5,513	125
313 Board of Jury Supervisors	1,491	1,496	446	978	1,424	72
314 Probate Court	88	89	-	73	73	16
315 Sheriff	7,602	7,602	7,235	218	7,453	149
316 City Courts	2,812	2,816	1,627	1,164	2,791	25
317 City Marshal	986	996	1,044	13	1,057	(61)
320 Probation Department and Juvenile Detention Center	14,595	14,765	12,224	1,905	14,129	636
321 Circuit Drug Court	399	399	-	251	251	148
Prior year encumbrance	1,453	1,453	-	1,453	1,453	-
Total judicial	43,524	43,667	31,295	10,004	41,299	2,368
Streets:						
510 Director of Streets	1,024	1,034	995	21	1,016	18
511 Transportation and Traffic Division	7,880	7,915	4,328	3,225	7,553	362
513 Auto Towing and Storage	1,589	1,603	1,318	312	1,630	(27)
514 Street Division	6,599	6,599	5,216	894	6,110	489
516 Refuse Division	14,294	14,294	6,911	6,787	13,698	596
Total streets	31,386	31,445	18,768	11,239	30,007	1,438
Public safety—fire:						
611 Fire Department Operations	47,054	46,929	46,250	1,140	47,390	(461)
612 Firemen's Retirement System	3,028	3,028	3,028	-	3,028	-
Total public safety—fire	50,082	49,957	49,278	1,140	50,418	(461)
Public safety—other:						
610 Director of Public Safety	575	575	537	15	552	23
616 Excise Commissioner	321	324	286	21	307	17
620 Building Commissioner	7,421	8,260	6,341	301	6,642	1,618
622 Neighborhood Stabilization	2,197	2,223	2,155	79	2,234	(11)
625 Emergency Management	323	327	353	14	367	(40)

(continued)

Schedule 1, Continued

Schedule 1, Continued

City of St. Louis, Missouri
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual—General Fund

UNAUDITED

For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Personal Services	Actual Other Expenditures	Total Expenditures	Variance with Final Budget Positive (Negative)
Division of Adult Services:						
632 Medium Security Institution	\$ 15,853	15,851	11,645	4,357	16,002	(151)
633 City Jail	12,692	12,692	8,913	5,012	13,925	(1,233)
651 Police Retirement System	298	298	318	-	318	(20)
Prior year encumbrance	6	6	-	4	4	2
Total public safety—other	39,686	40,556	30,548	9,803	40,351	205
Health and welfare:						
335 Medical Examiner	1,511	1,511	546	879	1,425	86
714 Rabies Control	856	856	-	-	-	856
715 Community Sanitation and Vector Control	2,151	2,151	-	-	-	2,151
800 Director of Human Services	1,530	1,537	1,245	154	1,399	138
Prior year encumbrance	22	22	-	21	21	1
Total health and welfare	6,070	6,077	1,791	1,054	2,845	3,232
Public services:						
414 Souldard Market	248	248	144	97	241	7
900 President's Office, Board of Public Services	3,739	3,739	2,879	303	3,182	557
903 Building Operations	9,904	9,916	3,654	7,484	11,138	(1,222)
910 Equipment Services Division	9,973	9,972	4,525	5,100	9,625	347
Prior year encumbrance	9	9	-	18	18	(9)
Total public services	23,873	23,884	11,202	13,002	24,204	(320)
Debt service:						
Principal	9,553	9,553	-	9,553	9,553	-
Interest and fiscal charges	13,187	13,187	-	13,134	13,134	53
Total debt service	22,740	22,740	-	22,687	22,687	53
Total expenditures (see page 117)	\$ 283,181	283,940	190,107	84,443	274,550	9,390

See accompanying independent auditors' report.

City of St. Louis, Missouri
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund
UNAUDITED
For the year ended June 30, 2003
(Dollars in Thousands)

1. EXPLANATION OF BUDGETARY PROCESS

The City prepares annual budgets for the general fund, the debt service fund, the capital projects fund, and the following nonmajor special revenue funds: use tax fund, transportation fund, convention and tourism fund, licensed gaming program fund, assessor's office fund, lateral sewer program fund, tax increment financing fund, communications fund, and other budgeted special revenue fund. An annual budget is not prepared for the grants major special revenue fund.

The City follows the procedures outlined below in establishing the budgetary data:

- 1) On or before 60 days prior to the start of each fiscal year, the Budget Director submits to the Board of Estimate and Apportionment (E&A), which consists of the Mayor, the Comptroller, and the President of the Board of Aldermen, for approval and submission to the Board of Aldermen (Board), a proposed annual operating budget for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and the means of financing them at the sub-fund level. A public hearing is held by E&A in order to afford citizens an opportunity to be heard on the proposed budget. The Board may reduce any item except amounts fixed by state statute or for the payment of principal or interest of the City debt or for meeting any ordinance obligations, but may not increase such amount nor insert new items. Expenditures may not legally exceed appropriations at the fund level; however, supplemental appropriations may be made by the Board.
- 2) The annual operating budgets are adopted by the affirmative vote of a majority of the members of the Board and approval by the Mayor on or before the last day of the preceding budget year. In the event the Board has not acted upon the proposed budget ordinance by this time, the budgets, as recommended by E&A or in its absence, the submission by the Budget Director, shall be considered to be adopted and approved by the Board.
- 3) During the year, management with the approval of E&A, may transfer part or all of any encumbered appropriation balance among programs within a department, office or agency, without approval of the governing body. Legislative action is required when the budget for an entire fund is to be increased. The amount of such transfers during the year was not significant.
- 4) If it is determined that there are revenues in excess of those estimated in the budget that are available for appropriation, the Board may, by ordinance, make supplemental appropriations for the year up to the amount of such excess.
- 5) At the end of each budget period, all unencumbered appropriated balances lapse, with the exception of appropriations for capital improvements that lapse upon completion of the related capital improvement project.

Schedule 2, Continued

City of St. Louis, Missouri
Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund (continued)
UNAUDITED
For the year ended June 30, 2003
(Dollars in Thousands)

2. EXPLANATION OF THE DIFFERENCES BETWEEN THE DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES – BUDGET BASIS AND NET CHANGE IN FUND BALANCE – GAAP BASIS

The City's budgetary process is based upon accounting for certain transactions on a basis other than accounting principles generally accepted for governmental entities in the United States of America (GAAP). To provide a meaningful comparison of actual results with the budget, the actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund in accordance with the budget basis of accounting.

The major differences between the budget and GAAP bases of accounting are:

- 1) Revenues are recorded when received in cash (budget) as opposed to when they are measurable and available (GAAP).
- 2) Expenditures are recorded when paid (budget) as opposed to when the obligation is incurred (GAAP).
- 3) Certain activities and funds of the general, special revenue, and capital projects fund types are not included in the annual operating budgets adopted by the Board.

Adjustments necessary to reconcile the excess (deficiency) of revenues and other financing sources over expenditures and other financing uses from the GAAP basis to the budget basis of accounting are as follows:

Budget basis	\$ (8,681)
Increase (decrease) due to :	
Revenue accruals	1,572
Expenditure accruals	(1,177)
Unbudgeted activities and funds	(2,919)
GAAP basis	<u>\$ (11,205)</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Firemen's Retirement System of St. Louis and
Employees' Retirement System of the City of St. Louis Information –
Required Supplementary Information
UNAUDITED
June 30, 2003
(dollars in thousands)

Firemen's Retirement System of St. Louis

The following required supplementary information relates to the Firemen's Retirement System of St. Louis defined benefit pension plan:

Actuarial Valuation Date	Actuarial Value of System Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
9/1/02	\$ 427,200	\$ 467,038	\$ 39,838	91.5%	\$ 34,520	115.4%
9/1/01	456,144	470,608	14,464	96.9	32,626	44.3
9/1/00	441,611	457,572	15,961	96.5	31,559	50.6

Employees' Retirement System of the City of St. Louis

The following required supplementary information relates to the Employees' Retirement System of the City of St. Louis defined benefit pension plan:

Actuarial Valuation Date	Actuarial Value of System Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
10/1/02	\$ 432,590	\$ 574,817	\$ 142,227	75.3%	\$ 230,185	61.8%
10/1/01	466,631	542,547	75,916	86.0	216,527	35.1
10/1/00	507,655	515,673	8,018	98.4	204,697	3.9



Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Use Tax – Used to record revenue received from the local use tax and expenditures made to promote health and welfare activities.

Transportation – Used to record sales tax revenue and expenditures for transportation purposes.

Convention and Tourism – Used to record revenue received from the one-cent restaurant tax, three and one-half percent hotel tax, and football admission gross receipts and expenditures made to promote convention and tourism activities.

Licensed Gaming Program – Used to record revenue received from adjusted gross receipts and admissions taxes imposed on riverboat gaming excursion boats.

Assessor's Office – Used to account for financial assistance received from the State of Missouri, commissions received from the collection of property taxes and expenditures made to operate the Assessor's office.

Lateral Sewer Program – Used to account for revenue received from charges on specific residential support within the boundaries of the City of St. Louis and expenditures made to repair lateral sewer service lines leading from the residential properties to any sewer main that is maintained by the Metropolitan St. Louis Sewer District.

Collector of Revenue – Used to account for operating receipts and disbursements of the Collector of Revenue's office.

Tax Increment Financing – Used to account for the revenues, expenditures and other activities relating to the tax increment financing bonds.

License Collector – Used to account for the operating receipts and disbursements of the License Collector's office.

Communications Division – Used to record revenue received from the cable television franchise tax and expenditures made to promote public services activities.

Demolition and Board-up – Used to record revenue received from building permits and demolition fees and expenditures made to promote public safety activities.

Other Budgeted Special Revenue – Used to account for the activities of other less significant special revenue sources for which annual budgets are adopted.

Other Nonbudgeted Special Revenue – Used to account for the activities of other less significant special revenue sources for which annual budgets are not adopted.

Debt Service Fund

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Schedule 4

City of St. Louis, Missouri
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003
(dollars in thousands)

	Special Revenue														Total Other Governmental Funds	
	Use Tax	Transportation	Convention and Tourism	Licensed Gaming Program	Assessor's Office	Lateral Sewer Program	Collector of Revenue	Tax Increment Financing	License Collector	Communications Division	Demolition and Board-up	Other Budgeted Special Revenue	Other Nonbudgeted Special Revenue	Total Special Revenue		Debt Service Fund
ASSETS																
Cash and cash equivalents:																
Restricted	-	-	-	-	-	-	102	1,427	2,682	-	-	1,038	321	5,570	6,245	11,815
Unrestricted	5,872	2	21	202	123	279	-	269	-	177	153	3,204	3,688	13,990	-	13,990
Investments:																
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	11,972	5	42	412	252	2,984	-	547	-	362	311	-	-	16,887	16	16,903
Receivables, net of allowances																
Taxes	4,103	3,518	2,065	487	-	-	-	2,467	-	388	-	350	-	13,378	5,985	19,363
Intergovernmental	-	-	-	-	-	-	-	230	-	-	-	543	-	773	-	773
Charges for services	-	-	-	-	-	736	-	-	-	-	1,437	51	-	2,224	-	2,224
Notes and loans	-	-	-	-	-	-	-	-	-	-	-	-	332	332	-	332
Due from other funds	-	-	-	-	-	-	-	1,491	-	-	-	-	-	1,491	-	1,491
Total assets	21,947	3,525	2,128	1,101	375	3,999	102	6,431	2,682	927	1,901	5,186	4,341	54,645	12,246	66,891
LIABILITIES AND FUND BALANCES																
Liabilities:																
Accounts payable and accrued liability	131	-	-	-	-	36	-	-	-	7	-	117	24	315	-	315
Accrued salaries and other benefit:																
Due to component units	334	-	-	-	121	21	-	7	-	54	31	85	21	674	-	674
Due to other funds	-	240	42	-	-	-	-	-	-	-	-	64	2,862	2,926	-	2,926
Deferred revenue	-	-	-	-	-	620	-	2,650	-	-	1,426	-	-	4,696	5,934	10,630
Other liabilities	-	-	-	-	-	-	102	-	-	-	-	-	-	102	-	102
Total liabilities	465	240	42	-	121	677	102	2,657	-	61	1,457	266	2,907	8,995	5,934	14,929
Fund balances:																
Reserved:																
Encumbrances	1,651	-	-	-	38	246	-	-	-	175	-	521	-	2,631	-	2,631
Debt service	-	-	-	-	-	-	-	1,426	-	-	-	-	-	1,426	6,312	7,738
Unreserved, reported in:																
Special revenue funds:	19,831	3,285	2,086	1,101	216	3,076	-	2,348	2,682	691	444	4,399	1,434	41,593	-	41,593
Total fund balances	21,482	3,285	2,086	1,101	254	3,322	-	3,774	2,682	866	444	4,920	1,434	45,650	6,312	51,962
Total liabilities and fund balance:	21,947	3,525	2,128	1,101	375	3,999	102	6,431	2,682	927	1,901	5,186	4,341	54,645	12,246	66,891

See accompanying independent auditors' report

City of St. Louis, Missouri
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2003

	Special Revenue													Total Other Governmental Funds		
	Use Tax	Transportation	Convention and Tourism	Licensed Gaming Program	Assessor's Office	Lateral Sewer Program	Collector of Revenue	Tax Increment Financing	License Collector	Communications Division	Demolition and Board-up	Other Budgeted Special Revenue	Other Nonbudgeted Special Revenue		Total Special Revenue	
REVENUES																
Taxes	\$ 24,376	25,212	9,672	5,326	1,233	-	-	5,246	-	1,572	-	4,537	90	77,264	5,525	82,789
Licenses and permits	-	-	-	-	-	-	-	83	-	-	850	860	-	1,793	-	1,793
Intergovernmental	-	-	-	-	820	-	-	46	-	-	-	1,547	70	2,483	-	2,483
Charges for services, net	-	-	-	-	13	2,741	5,392	-	1,838	-	132	1,269	30	12,568	-	12,568
Court fines and forfeitures	-	-	-	-	-	-	-	-	-	-	-	-	243	243	-	243
Investment income	99	21	-	4	-	54	286	7	-	-	12	95	33	611	391	1,002
Miscellaneous	-	-	-	-	-	-	258	132	-	108	1,402	47	238	2,185	-	2,185
Total	24,475	25,233	9,672	5,330	2,066	2,795	5,936	5,514	1,838	1,680	2,396	8,568	1,644	97,147	5,916	103,063
EXPENDITURES																
General government	79	-	-	650	3,991	2	5,936	54	1,380	204	-	55	380	12,731	-	12,731
Convention and tourism	-	-	135	-	-	-	-	-	-	-	-	-	8	143	-	143
Parks and recreation	-	-	-	-	-	-	-	-	-	-	28	392	55	475	-	475
Judicial	-	-	-	-	-	-	-	-	-	-	-	1,367	513	1,880	-	1,880
Streets	43	-	-	-	-	49	-	-	-	-	-	336	155	583	-	583
Public safety:																
Fire	185	-	-	40	-	-	-	-	-	-	-	-	8	233	-	233
Police	-	-	-	650	-	-	-	-	-	-	-	47	-	697	-	697
Other	943	-	-	-	-	-	-	-	-	-	4,375	1,267	-	6,585	-	6,585
Health and welfare	17,379	-	-	-	-	-	-	-	-	-	-	2,289	110	19,778	-	19,778
Public services	-	25,597	-	-	-	3,022	-	-	-	1,709	-	1	-	30,329	-	30,329
Capital outlay	-	-	-	-	-	-	-	188	-	223	-	-	-	411	-	411
Debt service:																
Principal	-	-	-	-	-	-	-	832	-	81	-	-	546	1,459	2,840	4,299
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	13	-	-	-	2,136	2,786	4,922
Total expenditures	18,629	25,597	135	1,340	3,991	3,073	5,936	3,157	1,380	2,220	4,403	5,754	1,815	77,440	5,626	83,066
Excess (deficiency) of revenues over (under) expenditure	5,846	(364)	9,537	3,990	(1,925)	(278)	-	2,357	458	(550)	(2,007)	2,814	(171)	19,707	290	19,997
OTHER FINANCING SOURCES (USES)																
Proceeds from capital lease obligation:	-	-	-	-	-	-	-	-	-	256	-	-	-	256	-	256
Transfers in	-	174	8	-	1,929	-	-	263	-	-	-	1,852	40	4,266	-	4,266
Transfers out	(1,500)	(21)	(9,087)	(5,446)	-	-	-	(1,657)	-	-	-	(6,010)	(2,447)	(26,168)	(3,964)	(30,132)
Total other financing sources (uses), net	(1,500)	153	(9,079)	(1,456)	1,929	(278)	-	(1,394)	-	256	-	(4,158)	(2,407)	(21,640)	(3,964)	(25,610)
Net change in fund balance:	4,346	(211)	458	(1,456)	4	(278)	-	963	458	(294)	(2,007)	(1,344)	(2,578)	(1,939)	(3,674)	(5,613)
Fund balances:																
Beginning of year	17,136	3,496	1,628	2,557	250	3,600	-	2,811	2,224	1,160	2,451	6,264	4,012	47,589	9,986	57,575
End of year	21,482	3,285	2,086	1,101	254	3,322	-	3,774	2,682	866	444	4,920	1,434	45,650	6,312	51,962

See accompanying independent auditors' report

Schedule 6

City of St. Louis, Missouri
Use Tax Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 18,100	18,100	24,242	6,142
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	100	100	108	8
Miscellaneous	-	-	-	-
Total revenues	<u>18,200</u>	<u>18,200</u>	<u>24,350</u>	<u>6,150</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	185	185	-
Police	-	-	-	-
Other	841	841	841	-
Health and welfare	15,238	28,032	17,183	10,849
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>16,079</u>	<u>29,058</u>	<u>18,209</u>	<u>10,849</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,121</u>	<u>(10,858)</u>	<u>6,141</u>	<u>16,999</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Total other financing uses	<u>(1,500)</u>	<u>(1,500)</u>	<u>(1,500)</u>	<u>-</u>
Net change in fund balances	<u>\$ 621</u>	<u>(12,358)</u>	<u>4,641</u>	<u>16,999</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Transportation Special Revenue Fund - Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 31,020	31,020	25,440	(5,580)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	50	50	21	(29)
Miscellaneous	-	-	-	-
Total revenues	<u>31,070</u>	<u>31,070</u>	<u>25,461</u>	<u>(5,609)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	31,020	31,020	25,597	5,423
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>31,020</u>	<u>31,020</u>	<u>25,597</u>	<u>5,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>50</u>	<u>50</u>	<u>(136)</u>	<u>(186)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	173	173
Transfers out	<u>(50)</u>	<u>(50)</u>	<u>(21)</u>	<u>29</u>
Total other financing sources (uses)	<u>(50)</u>	<u>(50)</u>	<u>152</u>	<u>202</u>
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>16</u>	<u>16</u>

See accompanying independent auditors' report.

Schedule 8

City of St. Louis, Missouri
Convention and Tourism Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 9,504	9,504	9,162	(342)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>9,504</u>	<u>9,504</u>	<u>9,162</u>	<u>(342)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Convention and tourism	75	75	135	(60)
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>75</u>	<u>75</u>	<u>135</u>	<u>(60)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,429</u>	<u>9,429</u>	<u>9,027</u>	<u>(402)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	8	8
Transfers out	<u>(9,500)</u>	<u>(9,500)</u>	<u>(9,087)</u>	<u>413</u>
Total other financing sources (uses)	<u>(9,500)</u>	<u>(9,500)</u>	<u>(9,079)</u>	<u>421</u>
Net change in fund balances	<u>\$ (71)</u>	<u>(71)</u>	<u>(52)</u>	<u>19</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Licensed Gaming Program Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	<u>Original Budget</u>	<u>Final Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 5,850	5,850	5,357	(493)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	20	20	6	(14)
Miscellaneous	-	-	-	-
Total revenues	<u>5,870</u>	<u>5,870</u>	<u>5,363</u>	<u>(507)</u>
EXPENDITURES				
Current:				
General government	50	50	50	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	25	25	40	(15)
Police	650	650	650	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>725</u>	<u>725</u>	<u>740</u>	<u>(15)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,145</u>	<u>5,145</u>	<u>4,623</u>	<u>(522)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	<u>(6,046)</u>	<u>(6,046)</u>	<u>(6,046)</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,046)</u>	<u>(6,046)</u>	<u>(6,046)</u>	<u>-</u>
Net change in fund balances	<u>\$ (901)</u>	<u>(901)</u>	<u>(1,423)</u>	<u>(522)</u>

See accompanying independent auditors' report.

Schedule 10

City of St. Louis, Missouri
Assessor's Office Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,188	1,188	1,233	45
Licenses and permits	-	-	-	-
Intergovernmental	839	839	1,236	397
Charges for service, net	11	11	13	2
Court fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>2,038</u>	<u>2,038</u>	<u>2,482</u>	<u>444</u>
EXPENDITURES				
Current:				
General government	4,019	4,019	3,981	38
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>4,019</u>	<u>4,019</u>	<u>3,981</u>	<u>38</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,981)</u>	<u>(1,981)</u>	<u>(1,499)</u>	<u>482</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,929	1,929	1,929	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,929</u>	<u>1,929</u>	<u>1,929</u>	<u>-</u>
Net change in fund balances	<u>\$ (52)</u>	<u>(52)</u>	<u>430</u>	<u>482</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Lateral Sewer Program Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ -	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	2,800	2,800	2,751	(49)
Court fines and forfeitures	-	-	-	-
Investment income	100	100	58	(42)
Miscellaneous	-	-	-	-
Total revenues	<u>2,900</u>	<u>2,900</u>	<u>2,809</u>	<u>(91)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	3,580	3,580	3,070	510
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>3,580</u>	<u>3,580</u>	<u>3,070</u>	<u>510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(680)</u>	<u>(680)</u>	<u>(261)</u>	<u>419</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (680)</u>	<u>(680)</u>	<u>(261)</u>	<u>419</u>

See accompanying independent auditors' report.

Schedule 12

City of St. Louis, Missouri
Tax Increment Financing Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 2,625	2,625	2,757	132
Licenses and permits	25	25	24	(1)
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	7	7
Miscellaneous	-	-	(5)	(5)
Total revenues	<u>2,650</u>	<u>2,650</u>	<u>2,783</u>	<u>133</u>
EXPENDITURES				
Current:				
General government	51	51	56	(5)
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	<u>1,843</u>	<u>1,843</u>	<u>1,835</u>	<u>8</u>
Total expenditures	<u>1,894</u>	<u>1,894</u>	<u>1,891</u>	<u>3</u>
Excess of revenues over expenditures	<u>756</u>	<u>756</u>	<u>892</u>	<u>136</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	25	25	26	1
Transfers out	<u>(1,000)</u>	<u>(1,000)</u>	<u>(956)</u>	<u>44</u>
Total other financing sources (uses)	<u>(975)</u>	<u>(975)</u>	<u>(930)</u>	<u>45</u>
Net change in fund balances	<u>\$ (219)</u>	<u>(219)</u>	<u>(38)</u>	<u>181</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Communications Division Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollards in thousands)

	<u>Original Budget</u>	<u>Final Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 1,500	1,500	1,620	120
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	108	108
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>1,728</u>	<u>228</u>
EXPENDITURES				
Current:				
General government	200	200	199	1
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	1,613	1,721	1,806	(85)
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>1,813</u>	<u>1,921</u>	<u>2,005</u>	<u>(84)</u>
Excess of revenues over expenditures	<u>(313)</u>	<u>(421)</u>	<u>(277)</u>	<u>144</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (313)</u>	<u>(421)</u>	<u>(277)</u>	<u>144</u>

See accompanying independent auditors' report.

Schedule 14

City of St. Louis, Missouri
Other Budgeted Special Revenue Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ -	4,211	4,546	335
Licenses and permits	2,750	2,750	1,699	(1,051)
Intergovernmental	1,740	1,740	1,103	(637)
Charges for service, net	1,195	1,195	1,426	231
Court fines and forfeitures	4,388	4,388	2,705	(1,683)
Investment income	231	306	149	(157)
Miscellaneous	51	51	46	(5)
Total revenues	<u>10,355</u>	<u>14,641</u>	<u>11,674</u>	<u>(2,967)</u>
EXPENDITURES				
Current:				
General government	55	55	55	-
Convention and tourism	-	-	-	-
Parks and recreation	240	240	437	(197)
Judicial	1,655	1,655	1,407	248
Streets	300	300	275	25
Public safety:				
Fire	-	-	-	-
Police	100	100	47	53
Other	4,167	4,167	4,101	66
Health and welfare	2,221	2,381	2,307	74
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>8,738</u>	<u>8,898</u>	<u>8,629</u>	<u>269</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,617</u>	<u>5,743</u>	<u>3,045</u>	<u>(2,698)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,600	1,600	1,527	(73)
Transfers out	<u>(3,751)</u>	<u>(7,951)</u>	<u>(8,901)</u>	<u>(950)</u>
Total other	<u>(2,151)</u>	<u>(6,351)</u>	<u>(7,374)</u>	<u>(1,023)</u>
Net change in fund balances	<u>\$ (534)</u>	<u>(608)</u>	<u>(4,329)</u>	<u>(3,721)</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Debt Service Fund—Nonmajor Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	<u>Original Budget</u>	<u>Final Revised Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 5,700	5,700	5,543	(157)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	1,000	1,000	462	(538)
Miscellaneous	-	-	-	-
Total revenues	<u>6,700</u>	<u>6,700</u>	<u>6,005</u>	<u>(695)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service	<u>5,701</u>	<u>5,701</u>	<u>5,626</u>	<u>75</u>
Total expenditures	<u>5,701</u>	<u>5,701</u>	<u>5,626</u>	<u>75</u>
Excess (deficiency) of revenues over (under) expenditures	<u>999</u>	<u>999</u>	<u>379</u>	<u>(620)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>(3,964)</u>	<u>(3,964)</u>
Total other financing uses	<u>-</u>	<u>-</u>	<u>(3,964)</u>	<u>(3,964)</u>
Net change in fund balances	<u>\$ 999</u>	<u>999</u>	<u>(3,585)</u>	<u>(4,584)</u>

See accompanying independent auditors' report.

Schedule 16

City of St. Louis, Missouri
Capital Projects Fund—Major Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances—
Budget and Actual
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

	Original Budget	Final Revised Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 20,226	20,226	19,796	(430)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	28	28
Charges for service, net	-	-	-	-
Court fines and forfeitures	-	-	-	-
Investment income	-	-	358	358
Miscellaneous	50	50	1	(49)
Total revenues	<u>20,276</u>	<u>20,276</u>	<u>20,183</u>	<u>(93)</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Convention and tourism	-	-	-	-
Parks and recreation	-	-	-	-
Judicial	-	-	-	-
Streets	-	-	-	-
Public safety:				
Fire	-	-	-	-
Police	-	-	-	-
Other	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	20,092	17,451	15,237	2,214
Debt service	18,063	20,704	16,869	3,835
Total expenditures	<u>38,155</u>	<u>38,155</u>	<u>32,106</u>	<u>6,049</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,879)</u>	<u>(17,879)</u>	<u>(11,923)</u>	<u>5,956</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	300	300	180	(120)
Transfers in	10,920	10,920	7,894	(3,026)
Transfers out	<u>(5,970)</u>	<u>(5,970)</u>	<u>(5,970)</u>	<u>-</u>
Total other financing uses	<u>5,250</u>	<u>5,250</u>	<u>2,104</u>	<u>(3,146)</u>
Net change in fund balances	<u>\$ (12,629)</u>	<u>(12,629)</u>	<u>(9,819)</u>	<u>2,810</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Schedule of Reconciling Items Between Change in Fund Balances—Budget Basis and Change in Fund Balances—GAAP Basis
UNAUDITED
For the year ended June 30, 2003
(dollars in thousands)

Use Tax	Transportation	Convention and Tourism	Licensed Gaming Program	Assessor's Office	Lateral Sewer Program	Tax Increment Financing	Communications Division	Other Budgeted Special Revenue	Debt Service Fund	Capital Projects Fund
\$ 4,641	16	(52)	(1,423)	430	(261)	(38)	(277)	(4,329)	(3,585)	(9,819)
125	(227)	510	(33)	(416)	(14)	704	(48)	436	(89)	(232)
(420)	-	-	-	(10)	(3)	3	31	(151)	-	(596)
-	-	-	-	-	-	294	-	2,700	-	(14,736)
\$ 4,346	(211)	458	(1,456)	4	(278)	963	(294)	(1,344)	(3,674)	(25,383)

Change in fund balances—budget basis

Differences—budget to GAAP:

Revenues are recorded when received in cash on a budget basis. However, revenues are recorded when measurable and available on a GAAP basis.

Expenditures are recorded when paid in cash on a budget basis. However, expenditures are recorded when the obligation is incurred on a GAAP basis.

Certain activities and accounts, which are included within the funds on a GAAP basis, are not included within the annual operating budgets adopted by the Board of Alderman.

Change in fund balances—GAAP basis

See accompanying independent auditors' report.



Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Public Facilities Protection Corporation – Used to account for payment of workers' compensation and various other claims against legal actions on behalf of other funds.

Mailroom Services – Used to account for mail handling services provided to other funds.

Health – Used to account for account for payment of health insurance claims for participants.

Schedule 18

City of St. Louis, Missouri
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003
(dollars in thousands)

	Public Facilities Protection Corporation	Mailroom Services	Health	Total
ASSETS				
Current assets:				
Prepaid assets	\$ -	51	-	51
Due from other funds	10,646	133	728	11,507
Total current assets	<u>10,646</u>	<u>184</u>	<u>728</u>	<u>11,558</u>
Noncurrent assets:				
Capital assets	-	197	-	197
Less accumulated depreciation	<u>-</u>	<u>(134)</u>	<u>-</u>	<u>(134)</u>
Total capital assets (net of accumulated depreciation)	<u>-</u>	<u>63</u>	<u>-</u>	<u>63</u>
Total assets	<u>10,646</u>	<u>247</u>	<u>728</u>	<u>11,621</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	387	33	-	420
Due to other funds	48	151	4,086	4,285
Claims payable	<u>17,905</u>	<u>-</u>	<u>6,951</u>	<u>24,856</u>
Total liabilities	<u>18,340</u>	<u>184</u>	<u>11,037</u>	<u>29,561</u>
NET ASSETS				
Invested in capital assets	-	63	-	63
Unrestricted	<u>(7,694)</u>	<u>-</u>	<u>(10,309)</u>	<u>(18,003)</u>
Total net assets	<u><u>\$ (7,694)</u></u>	<u><u>63</u></u>	<u><u>(10,309)</u></u>	<u><u>(17,940)</u></u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the year ended June 30, 2003
(dollars in thousands)

	<u>Public Facilities Protection Corporation</u>	<u>Mailroom Services</u>	<u>Health</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 11,185	555	24,228	35,968
Total operating revenues	<u>11,185</u>	<u>555</u>	<u>24,228</u>	<u>35,968</u>
OPERATING EXPENSES				
Claims incurred	5,767	-	33,093	38,860
Premiums	4,984	-	-	4,984
Personal services	-	210	-	210
Material and supplies	-	340	-	340
Contractual services	-	26	1,996	2,022
Depreciation and amortization	-	23	-	23
Total operating expenses	<u>10,751</u>	<u>599</u>	<u>35,089</u>	<u>46,439</u>
Operating income (loss)	<u>434</u>	<u>(44)</u>	<u>(10,861)</u>	<u>(10,471)</u>
Capital contributions	-	22	-	22
Change in net assets	<u>434</u>	<u>(22)</u>	<u>(10,861)</u>	<u>(10,449)</u>
Total net assets—beginning of year	<u>(8,128)</u>	<u>85</u>	<u>552</u>	<u>(7,491)</u>
Total net assets—end of year	<u>\$ (7,694)</u>	<u>63</u>	<u>(10,309)</u>	<u>(17,940)</u>

See accompanying independent auditors' report.

Schedule 20

City of St. Louis, Missouri
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2003
(dollars in thousands)

	Public Facilities Protection Corporation	Mailroom Services	Health	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 9,854	541	28,353	38,748
Payments to suppliers of goods and services	(9,901)	(311)	(28,625)	(38,837)
Payments to employees	-	(217)	-	(217)
Net cash provided by (used in) operating activities	(47)	13	(272)	(306)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	-	(13)	-	(13)
Net cash used in capital and related financing activities	-	(13)	-	(13)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	-	-	193	193
Net cash provided by (used in) investing activities	-	-	193	193
Net decrease in cash and cash equivalents	(47)	-	(79)	(126)
Cash and cash equivalents beginning of year	47	-	79	126
Cash and cash equivalents end of year	\$ -	-	-	-
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 434	(44)	(10,861)	(10,471)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	-	23	-	23
Change in assets and liabilities:				
Due to/from other funds	(1,331)	34	4,125	2,828
Prepaid assets	-	34	-	34
Accounts payable and accrued liabilities	379	(27)	-	352
Accrued salaries	-	(7)	-	(7)
Claims payable	471	-	6,464	6,935
Total adjustments	(481)	57	10,589	10,165
Net cash provided by (used in) operating activities:	\$ (47)	13	(272)	(306)

See accompanying independent auditors' report.

Pension Trust Funds

Pension trust funds are used to account for the activity of the three public employee retirement systems for which the City acts as a trustee.

Firemen's System – A single employer public employee retirement system fund used to account for the accumulation of resources to be used for the pension and other benefit payments for City firefighters.

Police System – A single employer public employee retirement system fund used to account for the accumulation of resources to be used for pension and other benefit payments for City police officers.

Employees' System – A multi-employer public employee retirement system used to account for the accumulation of resources to be used for pension and other benefit payments for employees of the City (excluding firefighters and police officers) and other anticipating governmental agencies. City employees account for greater than 99% of total plan participants.

Schedule 21

City of St. Louis, Missouri
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2003
(dollars in thousands)

	<u>Firemen's System</u>	<u>Police System</u>	<u>Employees' System</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents—unrestricted	\$ 4,231	3,996	401	8,628
Investments—unrestricted:				
U. S. government securities	8,651	49,436	63,110	121,197
Corporate bonds	50,444	61,514	64,789	176,747
Stocks	125,663	329,427	155,650	610,740
Foreign government obligations	-	-	46,385	46,385
Mortgage-backed securities	-	113,219	-	113,219
FHA mortgages	36	-	-	36
Collective investment funds	154,896	-	-	154,896
Money market mutual funds	7,870	24,511	15,861	48,242
Managed international equity funds	-	-	33,666	33,666
Total investments	<u>347,560</u>	<u>578,107</u>	<u>379,461</u>	<u>1,305,128</u>
Receivables:				
Contributions	3,365	27	803	4,195
Accrued interest	920	2,500	2,280	5,700
Other	1,863	3,469	163	5,495
Total assets	<u>357,939</u>	<u>588,099</u>	<u>383,108</u>	<u>1,329,146</u>
LIABILITIES				
Accounts payable and accrued liabilities	292	1,536	435	2,263
Deposits held for others	27	-	-	27
Other liabilities	1,740	19,821	-	21,561
Total liabilities	<u>2,059</u>	<u>21,357</u>	<u>435</u>	<u>23,851</u>
NET ASSETS				
Net assets held in trust for pension benefits	\$ <u><u>355,880</u></u>	<u><u>566,742</u></u>	<u><u>382,673</u></u>	<u><u>1,305,295</u></u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the year ended June 30, 2003
(dollars in thousands)

	<u>Firemen's System</u>	<u>Police System</u>	<u>Employees' System</u>	<u>Total</u>
ADDITIONS				
Contributions:				
Member	\$ 2,512	4,217	11	6,740
Employer	3,365	80	12,107	15,552
Investment income:				
Interest and dividends	6,958	19,356	11,702	38,016
Net depreciation in fair value of investments	(52,598)	(52,479)	(35,685)	(140,762)
	(45,640)	(33,123)	(23,983)	(102,746)
Less investment expense	(1,194)	(2,295)	(2,067)	(5,556)
Net investment income	(46,834)	(35,418)	(26,050)	(108,302)
	(40,957)	(31,121)	(13,932)	(86,010)
Total additions	(40,957)	(31,121)	(13,932)	(86,010)
DEDUCTIONS				
Benefits	27,064	34,099	26,346	87,509
Refunds of contributions	508	5,742	-	6,250
Administrative expense	722	1,145	484	2,351
Total deductions	28,294	40,986	26,830	96,110
Net decrease	(69,251)	(72,107)	(40,762)	(182,120)
Net assets held in trust for pension benefits:				
Beginning of year	425,131	638,849	423,435	1,487,415
End of year	\$ 355,880	566,742	382,673	1,305,295

See accompanying independent auditors' report.



Agency Funds

Agency funds are used to account for assets which the City holds on behalf of other entities. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Collector of Revenue – Used to account for the receipt and disbursement of various taxes and other charges that are collected by the Collector of Revenue and remitted to various City funds and other governmental agencies that levy taxes on residents of the City and on corporations located within the City limits and the employees.

Property Tax Escrow – Used to account for property taxes paid under protest whose disposition is still pending and duplicate payments of property taxes which have not been claimed.

General Insurance – Used to control funds for payroll withholdings and other City deposits to be used for the payment of insurance premiums due from employees and the City.

Bail Bonds – Used to account for bail bonds deposited by court defendants. The bonds are held until court orders are issued to refund the bonds to the defendants or others.

License Collector – Used to account for the receipt and disbursement of municipal manufacturer's and hotel taxes that are collected by the License Collector and remitted to various City funds and other governmental agencies.

Circuit Clerk – Used to account for funds held in a fiduciary capacity by the Circuit Clerk's Office. These funds include various litigation fees, garnishments and bail bonds, in addition to funds related to the parent locator program.

Other Agency – Used to account for contracts and other deposits, union dues and land auction sales.

City of St. Louis, Missouri
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2003
(dollars in thousands)

	Collector of Revenue	Property Tax Escrow	General Insurance	Bail Bonds	License Collector	Circuit Clerk	Other Agency	Total
ASSETS								
Cash and cash equivalents—unrestricted	\$ 1,416	1,018	-	1,295	11,296	7,245	1,961	24,231
Investments—unrestricted	-	-	-	-	-	8,243	2,659	10,902
Receivables, net of allowances:								
Taxes	16,115	-	-	-	-	-	-	16,115
Other	-	-	167	-	-	-	-	167
Total assets	<u>17,531</u>	<u>1,018</u>	<u>167</u>	<u>1,295</u>	<u>11,296</u>	<u>15,488</u>	<u>4,620</u>	<u>51,415</u>
LIABILITIES								
Accounts payable and accrued liabilities	-	-	167	-	-	-	119	286
Deposits held for others	-	1,018	-	1,295	10,773	13,309	2,183	28,578
Due to other governmental agencies	<u>17,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523</u>	<u>2,179</u>	<u>2,318</u>	<u>22,551</u>
Total liabilities	<u>17,531</u>	<u>1,018</u>	<u>167</u>	<u>1,295</u>	<u>11,296</u>	<u>15,488</u>	<u>4,620</u>	<u>51,415</u>
NET ASSETS	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying independent auditors' report.



Schedule 24

City of St. Louis, Missouri
Combining Statement of Changes in
Assets and Liabilities—Agency Funds
For the year ended June 30, 2003
(dollars in thousands)

	<u>Balance, June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2003</u>
<u>Collector of Revenue</u>				
Assets:				
Cash and cash equivalents—unrestricted	\$ 2,350	251,081	(252,015)	1,416
Receivables, net of allowances—taxes	16,314	8,625	(8,824)	16,115
Total assets	<u>\$ 18,664</u>	<u>259,706</u>	<u>(260,839)</u>	<u>17,531</u>
Liabilities—due to other governmental agencies	\$ 18,664	259,706	(260,839)	17,531
Total liabilities	<u>\$ 18,664</u>	<u>259,706</u>	<u>(260,839)</u>	<u>17,531</u>
<u>Property Tax Escrow</u>				
Assets—cash and cash equivalents—unrestricted	\$ <u>1,517</u>	<u>1,178</u>	<u>(1,677)</u>	<u>1,018</u>
Liabilities—deposits held for others	\$ <u>1,517</u>	<u>1,178</u>	<u>(1,677)</u>	<u>1,018</u>
<u>General Insurance</u>				
Assets:				
Cash and cash equivalents—unrestricted	\$ 262	5,401	(5,663)	—
Receivables, net of allowances—other	152	167	(152)	167
Total assets	<u>\$ 414</u>	<u>5,568</u>	<u>(5,815)</u>	<u>167</u>
Liabilities—accounts payable and accrued liabilities	\$ <u>414</u>	<u>5,568</u>	<u>(5,815)</u>	<u>167</u>
<u>Bail Bonds</u>				
Assets—cash and cash equivalents—unrestricted	\$ <u>1,136</u>	<u>1,320</u>	<u>(1,161)</u>	<u>1,295</u>
Liabilities—deposits held for others	\$ <u>1,136</u>	<u>1,320</u>	<u>(1,161)</u>	<u>1,295</u>
<u>License Collector</u>				
Assets—cash and cash equivalents—unrestricted	\$ <u>9,086</u>	<u>14,452</u>	<u>(12,242)</u>	<u>11,296</u>
Liabilities:				
Deposits held for others	8,556	3,286	(1,069)	10,773
Due to other governmental agencies	530	11,166	(11,173)	523
Total liabilities	<u>\$ 9,086</u>	<u>14,452</u>	<u>(12,242)</u>	<u>11,296</u>

(continued)

City of St. Louis, Missouri
Combining Statement of Changes in
Assets and Liabilities—Agency Funds
For the year ended June 30, 2003
(dollars in thousands)

	<u>Balance, June 30, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2003</u>
<u>Circuit Clerk</u>				
Assets:				
Cash and cash equivalents—unrestricted	\$ 5,643	148,232	(146,630)	7,245
Investment—unrestricted	7,333	8,243	(7,333)	8,243
Total assets	<u>\$ 12,976</u>	<u>156,475</u>	<u>(153,963)</u>	<u>15,488</u>
Liabilities:				
Deposits held for others	\$ 11,267	130,505	(128,463)	13,309
Due to other governmental agencies	1,709	25,970	(25,500)	2,179
Total liabilities	<u>\$ 12,976</u>	<u>156,475</u>	<u>(153,963)</u>	<u>15,488</u>
<u>Other Agency</u>				
Assets:				
Cash and cash equivalents—unrestricted	\$ 4,633	29,620	(32,292)	1,961
Investments—unrestricted	—	52,551	(49,892)	2,659
Total assets	<u>\$ 4,633</u>	<u>82,171</u>	<u>(82,184)</u>	<u>4,620</u>
Liabilities:				
Accounts payable and accrued liabilities	\$ 135	2,433	(2,449)	119
Deposits held for others	2,017	36,890	(36,724)	2,183
Due to component units	145	—	(145)	—
Due to other governmental agencies	2,336	42,848	(42,866)	2,318
Total liabilities	<u>\$ 4,633</u>	<u>82,171</u>	<u>(82,184)</u>	<u>4,620</u>
<u>Total—All Agency Funds</u>				
Assets:				
Cash and cash equivalents—unrestricted	\$ 24,627	451,284	(451,680)	24,231
Investments—unrestricted	7,333	60,794	(57,225)	10,902
Receivables, net of allowances:				
Taxes	16,314	8,625	(8,824)	16,115
Other	152	167	(152)	167
Total assets	<u>\$ 48,426</u>	<u>520,870</u>	<u>(517,881)</u>	<u>51,415</u>
Liabilities:				
Accounts payable and accrued liabilities	549	8,001	(8,264)	286
Deposits held for others	24,493	173,179	(169,094)	28,578
Due to component units	145	—	(145)	—
Due to other governmental agencies	23,239	339,690	(340,378)	22,551
Total liabilities	<u>\$ 48,426</u>	<u>520,870</u>	<u>(517,881)</u>	<u>51,415</u>

See accompanying independent auditors' report.



**Solid Waste Management Development Corporation –
Discretely Presented Component Unit**

Solid Waste Management Development Corporation (SWMDC) owns a system of underground pressurized steam transport pipe in the downtown area commonly known as the steam loop. The steam loop is leased on a long term basis to a steam generating private entity unrelated to the City.

Separate financial statements are not prepared for SWMDC. Accordingly, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows for SWMDC have been included within the City's comprehensive annual financial report.

Schedule 25

City of St. Louis, Missouri
Statement of Revenues, Expenses, and Changes in Net Assets
Solid Waste Management Development Corporation (SWMDC)
For the year ended June 30, 2003
(dollars in thousands)

OPERATING REVENUES

Lease revenue	\$ 320
Total operating revenues	<u>320</u>

OPERATING EXPENSES

Depreciation	237
Professional fees	<u>21</u>
Total operating expenses	<u>258</u>
Operating income	<u>62</u>

NONOPERATING REVENUES

Investment income	<u>8</u>
Total nonoperating revenues	<u>8</u>
Net income before capital contributions	70
Capital contributions	<u>24</u>
Change in net assets	94

Total net assets—beginning of year	6,628
Total net assets—end of year	<u>\$ 6,722</u>

See accompanying independent auditors' report.

City of St. Louis, Missouri
Statement of Cash Flows
Solid Waste Management Development Corporation (SWMDC)
For the year ended June 30, 2003
(dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 320
Payments to service providers	<u>(21)</u>
Net cash provided by operating activities	<u>299</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Construction of capital assets	<u>(13)</u>
Net cash used in capital and related financing activities	<u>(13)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purc Purchases of investments	(1,159)
Proc Proceeds from maturities of investments	1,159
Inve: Investment income	<u>8</u>
Net cash provided by investing activities	<u>8</u>
Net increase in cash and cash equivalents	294
Cash and cash equivalents beginning of year	<u>385</u>
Cash and cash equivalents end of year	<u><u>\$ 679</u></u>

Reconciliation of operating income to net cash
provided by operating activities:

Operating income	62
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	<u>237</u>
Net cash provided by operating activities	<u><u>\$ 299</u></u>

See accompanying independent auditors' report.



Table 1

CITY OF ST. LOUIS, MISSOURI
Government-wide Expenses by Function
Fiscal Years 2003 and 2002
(dollars in thousands)

Function	2003	2002
General government	\$ 69,906	68,853
Convention and tourism	6,697	6,188
Parks and recreation	20,719	20,066
Judicial	51,124	48,382
Streets	49,886	51,056
Public safety:		
Fire	50,484	54,000
Police	126,497	125,331
Other	50,202	41,523
Health and welfare	37,789	35,563
Public services	67,154	65,202
Community development	59,210	50,280
Interest and fiscal charges	30,131	29,601
Airport	158,263	151,590
Water Division	40,887	43,458
Parking Division	10,099	10,859
	<u>\$ 829,048</u>	<u>801,952</u>

Source: Basic financial statements.

Table 2

CITY OF ST. LOUIS, MISSOURI
Government-wide Revenues by Source
Fiscal Years 2003 and 2002
(dollars in thousands)

<u>Source</u>	<u>2003</u>	<u>2002</u>
Program Revenues:		
Charges for services	\$ 305,859	282,948
Operating grants and contributions	107,992	80,738
Capital grants and contributions	54,224	44,198
General Revenues:		
Taxes:		
Property taxes, levied for general purpose	46,375	42,616
Property taxes, levied for debt services	5,644	4,497
Sales taxes	132,910	132,418
Earnings/payroll taxes	153,923	155,760
Gross receipts taxes (includes franchise tax)	57,649	61,188
Miscellaneous taxes	18,650	17,556
Unrestricted interest earnings	27,217	39,531
Gain on sale of capital assets	180	2,830
	<u>\$ 910,623</u>	<u>864,280</u>

Source: Basic financial statements.

Table 3

The City of St. Louis, Missouri
General Fund Expenditures by Function -
Last Ten Fiscal Years
(dollars in thousands)

Function	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
General government	\$ 42,474	39,043	39,254	37,461	38,331	40,986	33,035	31,392	37,215	29,342
Convention and tourism	2,201	2,219	2,159	1,936	2,042	2,027	1,035	4,758	1,044	1,360
Parks and recreation	18,184	17,765	16,929	16,275	15,916	14,166	15,231	13,833	13,628	12,403
Judicial	41,603	39,393	35,608	34,100	32,480	31,523	29,233	28,918	28,179	26,329
Streets	30,005	31,680	29,245	28,565	29,470	28,593	29,136	29,341	28,471	26,112
Public safety:										
Fire	50,755	48,002	45,719	45,729	44,736	76,106	39,683	39,214	37,762	32,902
Police	124,489	123,499	228	249	446	2,868	-	-	-	-
Other	40,851	34,117	30,623	29,963	28,520	26,241	24,210	23,320	19,636	19,297
Health and welfare	2,705	11,332	12,103	11,668	11,046	16,111	18,392	16,496	16,353	16,297
Public services	24,283	22,868	22,961	20,550	20,992	18,678	19,125	18,413	16,928	17,050
Capital outlay	-	15	2,134	3,920	649	1	464	4	4	1,221
Debt service	30,060	26,209	22,702	30,041	23,567	21,399	21,974	18,600	23,809	21,658
	\$ 407,610	396,142	259,665	260,457	248,195	278,699	231,518	224,289	223,029	203,971

NOTES:

- (1) During 1994, the City changed its method of reporting expenditures from the police department under GASB 14.
(2) In 1998, the City made a payment in the amount of \$27,943 in excess of the actuarially required pension contribution.
(3) During 2002, the City was required to show transfers to component units as expenditures.

Source: General purpose financial statements.

Table 4

The City of St. Louis, Missouri
General Fund Revenues by Source -
Last Ten Fiscal Years
(dollars in thousands)

Source	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Taxes	\$ 310,932	313,482	329,498	311,310	306,628	297,000	289,466	281,237	281,745	269,293
Licenses and permits	15,942	15,691	15,191	15,891	19,792	15,033	14,965	13,498	13,584	14,952
Intergovernmental	13,082	12,175	13,155	8,255	3,139	5,550	4,155	4,826	3,035	6,317
Charges for services, net	12,340	12,283	15,312	14,668	13,683	11,904	12,210	11,791	11,592	11,681
Court fines and forfeitures	8,680	8,200	7,132	8,450	7,535	8,070	4,327	6,435	6,365	5,850
Interest	2,260	3,544	3,680	4,729	2,846	6,890	5,973	6,037	3,984	2,845
Interfund Services Provided	4,476	4,864	-	-	-	-	-	-	-	-
Miscellaneous	7,499	4,367	3,455	3,155	2,724	8,820	7,307	2,917	2,976	2,963
\$	375,211	374,606	387,423	366,458	356,347	353,267	338,403	326,741	323,281	313,901

Source: General purpose financial statements.

Table 5

The City of St. Louis, Missouri
General and Debt Service Funds - Property Tax Levies And Collections -
Last Ten Fiscal Years
(Dollars in thousands)

(1) Fiscal Year	(2)		Percent		Delinquent		Percent of		Outstanding		Percent of	
	Total Tax Levy	Current tax Collections	Current Taxes Collected	Tax	Tax Collections	Total Tax Collections	Total Tax Collections to Total Tax Levy	Tax Levy	Delinquent Taxes	Delinquent Taxes to Total Tax Levy	Total Tax Collections to Total Tax Levy	Delinquent Taxes to Total Tax Levy
1994	\$ 34,616	\$ 30,392	87.8%	\$ 3,998	\$ 3,998	\$ 34,390	99.3%	\$ 8,196	23.7%			
1995	36,083	32,137	89.1%	3,659	3,659	35,796	99.2%	8,048	22.3%			
1996	37,105	31,920	86.0%	3,212	3,212	35,132	94.7%	7,426	20.0%			
1997	38,067	34,041	89.4%	4,248	4,248	38,289	100.6%	7,601	20.0%			
1998	39,544	34,271	86.7%	3,316	3,316	37,587	95.1%	9,057	22.9%			
1999	38,197	33,704	88.2%	4,632	4,632	38,336	100.4%	9,563	25.0%			
2000	43,073	37,070	86.1%	3,576	3,576	40,646	94.4%	9,927	23.0%			
2001	44,679	39,540	88.5%	5,251	5,251	44,791	100.3%	9,727	21.8%			
2002	46,674	40,994	87.8%	4,214	4,214	45,208	96.9%	9,369	20.1%			
2003	46,104	41,739	90.5%	4,734	4,734	46,473	100.8%	8,674	18.8%			

NOTES:

(1) Figures are based on the Collector of Revenue's fiscal year which begins the first Monday of March.

(2) Includes monies collected that were paid to the state for reassessment.

(3) No levy was charged for debt service during fiscal year 1999.

Source: Collector of Revenue, City of St. Louis.

Table 6

The City of St. Louis, Missouri
Assessed and Estimated Actual Value of Taxable Property -
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Real Property		Personal Property		Total		Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1994	\$ 1,826,336	7,576,616	678,513	2,056,099	2,504,849	9,632,715	26.0%
1995	1,836,918	7,610,241	770,926	2,315,093	2,607,844	9,925,334	26.3%
1996	1,791,104	7,543,672	766,625	2,302,177	2,557,729	9,845,849	26.0%
1997	1,765,203	7,457,159	784,576	2,356,085	2,549,779	9,813,244	26.0%
1998	1,788,722	7,539,338	795,179	2,387,926	2,583,901	9,927,264	26.0%
1999	1,804,666	7,594,278	842,767	2,530,831	2,647,433	10,125,109	26.1%
2000	1,912,874	8,012,687	769,882	2,311,957	2,682,756	10,324,644	26.0%
2001	1,923,262	8,042,460	805,857	2,419,992	2,729,119	10,462,452	26.1%
2002	2,056,858	8,606,069	901,304	2,706,617	2,958,162	11,312,686	26.1%
2003	2,059,507	8,616,895	811,286 *	2,436,294	2,870,793	11,053,189	26.0%

NOTE:

Residential real property is assessed at 19% of estimated value, commercial at 32%, and agricultural at 12%; personal property assessed at 33-1/3%.
A complete reassessment is made on personal property by the Assessor every year and every odd year for real property.

* Decrease due to procedural change of the Assessor's Office; property owners not filing returns are no longer kept on file; must be reopened by owners when proof of payment needed for license reasons.

Source: City Assessor's Office.

Table 7

The City of St. Louis, Missouri
Property Tax Rates Per \$100 Assessed Value - Direct and Overlapping - Governments
Last Ten Fiscal Years

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
City of St. Louis:										
Municipal purposes	\$ 0.9674	0.9599	0.963	0.94	0.96	0.94	0.93	0.90	0.86	0.85
County purposes	0.3500	0.3485	0.350	0.34	0.35	0.34	0.33	0.32	0.31	0.30
Hospital purposes	0.1000	0.0996	0.100	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Public health purposes	0.0200	0.0199	0.020	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Recreation purposes	0.0200	0.0199	0.020	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Interest and public debt	0.1513	0.1513	0.180	0.20		0.11	0.11	0.11	0.11	0.11
Total City of St. Louis	1.6087	1.5991	1.633	1.62	1.45	1.53	1.51	1.47	1.42	1.40
Overlapping governments:										
State Blind Pension Fund	0.0300	0.0300	0.030	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Board of Education of the City of St. Louis	4.3000	4.3000	4.300	4.30	4.30	4.30	4.25	4.19	4.25	4.18
St. Louis Community College	0.2320	0.2300	0.240	0.24	0.24	0.24	0.24	0.24	0.24	0.22
Metropolitan St. Louis Sewer District	0.0690	0.0890	0.090	0.09	0.09	0.09	0.09	0.09	0.10	0.10
Sheltered Workshop District	0.1500	0.1499	0.150	0.15	0.15	0.15	0.15	0.15	0.15	0.15
St. Louis Public Library	0.5600	0.5595	0.560	0.56	0.56	0.56	0.56	0.56	0.56	0.38
Community Mental Health	0.0900	0.0899	0.090	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Metropolitan Zoological Park and Museum District:										
Zoological Subdistrict	0.0610	0.0610	0.063	0.062	0.063	0.063	0.063	0.062	0.061	0.06
Art Museum Subdistrict	0.0610	0.0610	0.063	0.062	0.063	0.063	0.063	0.062	0.061	0.06
Museum of Science and Natural History Subdistrict	0.0310	0.0310	0.033	0.032	0.033	0.033	0.033	0.032	0.031	0.03
Botanical Garden Subdistrict	0.0310	0.0310	0.033	0.032	0.033	0.033	0.033	0.032	0.031	0.03
Missouri History Museum Subdistrict	0.0380	0.0380	0.040	0.039	0.04	0.04	0.04	0.04	0.04	0.04
Total overlapping governmental	5.6530	5.6703	5.692	5.687	5.692	5.692	5.642	5.578	5.644	5.370
Total City of St. Louis and overlapping governmental	\$ 7.26	7.27	7.33	7.31	7.14	7.22	7.15	7.05	7.06	6.77

Source: City Assessor's Office.

Table 8

The City of St. Louis, Missouri
Principal Taxpayers
June 30, 2003
(Dollars in thousands)

Taxpayer	2002 Assessed Valuation	Percentage of Total Assessed Valuation	(1) Total Taxes
Southwestern Bell	\$ 110,874	4.13 %	\$ 14,284
Anheuser Busch Companies, Inc.	73,652	2.75	13,592
AmerenUE	70,468	2.63	8,475
A. G. Edwards & Sons, Inc.	38,302	1.43	7,568
Laclede Gas Company	74,014	2.76	6,464
Tenet Health Systems	27,034	1.01	4,630
BJC Health Systems	NP	0.00	4,325
Washington University	NP	0.00	4,060
May Dept Stores	11,014	0.41	3,437
Nestle Purina Co.	15,806	0.59	2,613
	<u>\$ 421,164</u>	<u>15.71 %</u>	<u>\$ 69,448</u>

NOTE:

(1) Represents total of payroll, earnings and property taxes paid.

Source: Office of the Comptroller.

The City of St. Louis, Missouri
Computation of Legal Debt Margin
June 30, 2003
(dollars in thousands)

	<u>City Purposes Basis Limit (1)</u>	<u>Streets and Sewers Additional Limit (2)</u>
Assessed value for calendar year 2002:		
Real property	\$ 2,059,507	
Personal property	811,286	
Manufacturer's, machinery tools and equipment	305,359	
	<u>\$ 3,176,152</u>	
Authorized debt limit-10% of assessed value	\$ 317,615	\$ 317,615
Subtract total outstanding debt:		
General Obligation Bonds	\$ 54,685	
Water Revenue Bonds	38,920	
Parking Revenue Bonds	62,515	
Airport Revenue Bonds	<u>961,520</u>	
	1,117,640	
Add exemptions:		
Water Revenue Bonds	38,920	
Parking Revenue Bonds	62,515	
Airport Revenue Bonds	<u>961,520</u>	
	1,062,955	
	<u>\$ 262,930</u>	<u>\$ 317,615</u>

NOTES:

- (1) The Charter of the City of St. Louis permits the City, by vote of two-thirds of the qualified electors thereof voting thereon to incur and indebtedness for City purposes not to exceed 10% of the value of taxable tangible property therein as shown by the last completed assessment.
- (2) The Charter of the City of St. Louis permits the City, by vote of two-thirds of the qualified property for the purpose of acquiring right-of-way, constructing, extending and improving sanitary or storm sewer systems.

Table 10

The City of St. Louis, Missouri
Ratio of Net General Obligation Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita -
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	(1) Population	(2) Assessed Value	(3) Gross Bonded Debt	(3) Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita (in dollars)
1994	377,700	\$ 2,504,849	\$ 17,075	\$ 4,351	\$ 12,724	0.5%	\$ 34
1995	364,200	2,607,844	14,625	4,500	10,125	0.4%	28
1996	355,600	2,557,729	12,075	4,851	7,224	0.3%	20
1997	355,600	2,549,779	7,200	3,095	4,105	0.2%	12
1998	351,000	2,583,901	2,000	2,299	(299)	0.0%	(0)
1999	342,900	2,647,433	65,000	1,454	63,546	2.4%	185
2000	333,960	2,682,756	62,870	6,328	56,542	2.1%	169
2001	348,189	2,729,119	60,250	10,134	50,116	1.8%	144
2002	339,211	2,958,162	57,525	9,986	47,539	1.6%	140
2003	338,353	2,870,793	54,685	6,312	48,373	1.7%	143

NOTES:

(1) Population figures were taken from the Greater St. Louis Executive Summary.

(2) Source: City Assessor's Office.

(3) Source: Comptroller's Office.

The City of St. Louis, Missouri
Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Fund Expenditures -
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	Debt Service Fund			Total General Fund Expenditures	Ratio of Debt Service to General Fund Expenditures
	Principal	Interest and Fiscal Charges	Total		
1994	\$ 7,750	\$ 1,602	\$ 9,352	\$ 203,971	4.6%
1995	2,450	1,398	3,848	223,029	1.7%
1996	2,550	950	3,500	224,289	1.6%
1997	4,875	790	5,665	231,518	2.4%
1998	5,200	454	5,654	278,699	2.0%
1999	2,000	172	2,172	248,195	0.9%
2000	2,130	2,209	4,339	260,457	1.7%
2001	2,620	3,076	5,696	259,665	2.2%
2002	2,725	2,903	5,628	396,142	1.4%
2003	2,840	2,786	5,626	407,610	1.4%

Table 12

The City of St. Louis, Missouri
Computation of Direct and Overlapping Bonded Debt -
General Obligation Bonds
June 30, 2003
(dollars in thousands)

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of St. Louis	Amount Applicable to City of St. Louis
Direct - City of St. Louis	\$ 48,373	100.00%	\$ 48,373
Overlapping: Board of Education of the City of St. Louis (1)	\$ 221,642	100.00%	\$ 221,642
Total	<u>221,642</u>		<u>221,642</u>
	<u>\$ 270,015</u>		<u>\$ 270,015</u>

Source:
(1) Board of Education City of St. Louis.

Table 13

The City of St. Louis, Missouri
Schedule of Revenue Bond Coverage -
Last Ten Fiscal Years
(dollars in thousands)

<u>Fiscal Year</u>	<u>(1) Gross Revenues</u>	<u>(1) Operating Expenses</u>	<u>(1) Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements</u>	<u>Coverage Ratio</u>
WATER REVENUE BONDS					
1994	\$ 29,830	\$ 25,222	\$ 4,608	\$ 321 (2)	14.36
1995	35,204	27,802	7,402	2,257	3.28
1996	38,970	29,155	9,815	4,438	2.21
1997	41,113	28,951	12,162	4,434	2.74
1998	40,763	30,316	10,447	4,057	2.58
1999	39,486	29,883	9,603	4,271	2.25
2000	41,588	30,897	10,691	4,197	2.55
2001	42,816	33,742	9,074	3,990	2.27
2002	40,952	32,224	8,728	3,944	2.21
2003	41,389	34,197	7,192	3,962	1.82
AIRPORT REVENUE BONDS					
1994	\$ 84,875	\$ 38,207	\$ 46,668	\$ 27,371	1.71
1995	97,880	42,579	55,301	27,823	1.99
1996	102,749	37,204	65,545	34,391	1.91
1997	102,533	55,554	46,979	36,629	1.28
1998	119,983	57,872	62,111	41,234	1.51
1999	125,691	63,457	62,234	44,548	1.40
2000	133,036	63,042	69,994	46,230	1.51
2001	148,285	70,048	78,237	46,946	1.67
2002	150,336	72,478	77,858	82,234	0.95
2003	148,754	83,814	64,940	61,582	1.05
PARKING REVENUE BONDS					
1994	\$ 4,821	\$ 2,895	\$ 1,926	\$ 1,532	1.26
1995	6,947	3,175	3,772	1,850	2.04
1996	7,961	3,592	4,369	1,742	2.51
1997	8,195	3,905	4,290	1,504	2.85
1998	8,877	4,660	4,217	1,478	2.85
1999	8,936	5,028	3,908	2,181	1.79
2000	10,227	4,644	5,583	2,714	2.06
2001	10,799	5,997	4,802	3,275	1.47
2002	12,013	6,276	5,737	3,279	1.75
2003	11,548	6,166	5,382	4,543	1.18

NOTES:

(1) As defined by the bond indenture.

(2) Only one semiannual interest payment is reflected for 1994, as the Water Division defeased the Series 1985 Water Revenue Bonds.

Table 14

**The City of St. Louis, Missouri
Demographic Statistics -
Last Ten Calendar Years**

Year	(1) Population	(2) Estimated Buying Income Per Capita	(2) Median Age	(3) Public School Enrollment	(4) Unemployment Rate	(2) Retail Sales (000s)
1993	380,800	\$ 12,467	34.3	42,692	9.3%	\$ 2,943,671
1994	377,700	13,002	33.8	46,622	7.1%	2,590,349
1995	364,200	13,915	33.5	41,711	7.6%	2,843,604
1996	355,600	13,029	34.7	44,012	7.5%	2,692,407
1997	351,000	13,481	35.1	44,128	7.2%	2,681,488
1998	342,900	13,695	35.6	45,675	6.2%	2,733,585
1999	333,960	14,073	35.8	44,522	6.6%	3,559,630
2000	348,189	14,459	36.1	41,867	6.6%	3,751,088
2001	339,211	14,940	36.3	40,449	8.2%	3,385,547
2002	338,353	14,256	36.8	39,524	9.6%	3,192,230

NOTES:

- (1) Population figures were taken from the Statistical Abstract for Missouri; amounts represent estimates calculated by using an average percentage rate.
- (2) Source: Sale and marketing management, survey of buying power.
- (3) Data provided by the Board of Education of the City of St. Louis.
- (4) Data provided by the U. S. Bureau of Labor Statistics.

The City of St. Louis, Missouri
Property Value, Construction and Bank Deposits -
Last Ten Fiscal Years
(dollars in thousands)

Fiscal Year	(1) Property Value		(2) Construction				(3) Bank Deposits (in millions)	
	Real Estate	Personal Property	Value of Commercial, Industrial or Other Nonhousing	Value of Housing	Number of Permits	Total Value	Banks-Metropolitan Statistical Area	Savings and Loans-Metropolitan Area
1994	\$ 7,576,616	\$ 2,056,099	\$ 326,531	\$ 12,865	3,201	\$ 339,396	\$ 25,359	\$ 6,416
1995	7,610,241	2,315,093	274,221	17,631	3,397	291,852	27,445	5,597
1996	7,543,672	2,302,177	263,294	33,820	3,284	297,114	29,340	5,564
1997	7,457,159	2,356,085	217,505	49,897	2,968	267,402	30,518	5,671
1998	7,539,338	2,387,926	177,983	35,229	4,019	213,212	33,228	2,420
1999	7,595,278	2,530,831	234,447	39,826	4,347	274,273	34,358	1,896
2000	8,012,687	2,311,957	205,603	50,794	4,420	256,397	34,164	1,932
2001	8,042,460	2,419,992	431,577	83,442	5,047	515,318	35,904	1,385
2002	8,606,069	2,706,617	366,737	66,636	5,095	433,373	39,197	1,345
2003	8,616,895	2,436,294	155,085	145,843	6,078	300,928	47,366	1,565

NOTES:

- (1) City Assessor's Office.
- (2) St. Louis Building Division.
- (3) Federal Reserve Bank of St. Louis.

Table 16

The City of St. Louis, Missouri
Miscellaneous Statistics
June 30, 2003

Date of Incorporation	1823
City Charter Adopted	1914
Form of Government	Mayor/Council
Area of City	61.38 Square Miles
City Government:	
Wards	28
Precincts	360
Registered voters	186,179
Polling sites	166
Handicapped accessible polls	154
Elections:	
Last General Election April 4, 2003:	
Persons registered	194,000
Number of voters cast	33,012
Percentage of registered votes cast	17%
Last State General Election November 5, 2002:	
Persons registered	193,276
Number of votes cast	97,126
Percentage of registered votes cast	50%
Employees:	
Civil Service	4,909
County offices	1,161
Fire/EMS Protection:	
Firefighters	631
Fire stations	30
Fire Department vehicles	118
EMS Vehicles	41
Activity:	
Responses-Fire	44,868
Responses-EMS	57,747
Rescues	10
Police Protection:	
Police officers	1,492
Police patrol buildings (Including Police headquarters)	4
Police vehicles	645

(Continued)

Table 16, Continued

The City of St. Louis, Missouri
Miscellaneous Statistics, Continued
June 30, 2003

Streets and Alleys (in miles):	
Streets-paved	11,100
Alleys	400
Lighting:	
Streets	51,700
Alleys	16,000
Easements	2,100
Recreation:	
Parks	105
Recreation centers	9
Neighborhood centers	1
Swimming pools	8
Golf courses	3
Enterprise:	
Water:	
Treatment plants	2
Plant's capacity per day	340
Storage capacity per gallons (in millions), (28 under construction)	128
Average demand per day, per gallon (in millions)	140
Lambert-St. Louis International Airport:	
Major airlines	8
Commuter airlines	12
Air Cargo Carriers	6
Number of passengers	23,675,012
Aircraft operations	414,787

Source: City of St. Louis, various departments.
St. Louis Public Library

(Continued)

Table 16, Continued

The City of St. Louis, Missouri
Miscellaneous Statistics, Continued
June 30, 2003

Company	Major Employers	Number of Full Time Equivalent Employees
Southwestern Bell Telephone Co.		7,155
Tenet Health Systems		6,297
A. G. Edwards		5,490
May Department Stores Co.		5,344
Anheuser-Busch Companies, Inc.		5,172
Bank of America		3,141
Schnucks		2,930
AmerenUE		2,687
Kiel Center Parnter		2,046
US Bank NA		2,017

Major noncommercial employers, employing in excess of 3,500 employees, include the City of Saint Louis, United States Post Office, Board of Education of the City of Saint Louis, Washington University, St. Louis University, State of Missouri, BJC Health Systems, Junior College District, Bi-State Development Agency, and Defence Finance & Accounting Service.

Source: Collector of Revenue
City of St. Louis, Missouri

(Continued)

Table 16, Continued

The City of St. Louis, Missouri
Miscellaneous Statistics, Continued
June 30, 2003

Metropolitan Statistical Overview	2002	2001	2000	1999
Area (square miles)	6,397	6,397	6,397	6,397
Population	2,633,925	2,622,670	2,603,607	2,600,300
Population-Market Area (100 miles)	3,025,600	3,001,100	2,972,300	2,972,300
Households	1,033,800	1,018,000	981,800	981,800
Effective Buying Income:				
Per Household	\$ 44,910	\$ 41,558	\$ 41,602	\$ 38,920
(in billions)	52	52	49	45.3
Labor force	1,379,502	1,359,505	1,366,695	1,355,687
Employment	1,300,870	1,293,445	1,312,630	1,299,511
Retail sales (in billions)	32.6	33.5	32.8	24
How St. Louis Ranks:				
Population	18th largest			
Households	22nd largest			
Manufacturing	9th largest			
Corporate headquarters	6th largest			
Airport (flights)	16th largest in the world			
Rail hub	2nd largest in jobs			
Inland port	3rd largest-- northmost ice-free			
Motor vehicle assembled	2nd largest			
Crime rate	4th lowest of 28 metro areas			
Cost of living	6th lowest of top 20 metropolitan areas			
Housing affordability	3rd lowest			
Meeting and lodging costs	5th lowest of 23 largest metro areas			
Technologically Wired	10th largest			
Hi-Tech Employment	2nd largest			
Climate:				
Normal Temperature:				
January: daily minimum	20.8 degrees			
July: daily maximum	89.3 degrees			
Percipitation:				
Normal rainfall per year	37.51 inches			
Normal snowfall per year	19.6 inches			

Source: Regional Chamber and Growth Association.

Table 17

CITY OF ST. LOUIS, MISSOURI
COMPARISON OF POPULATION TRENDS
1990-2010

County/Area	Population			Avg. Annual Growth Rate	
	Actual	Estimate	Projected	Actual	Projected
	1990	2002	2010	1990-2002	2002-2010
St. Louis MSA					
Franklin, MO	80,603	95,890	107,200	1.5%	1.4%
Jefferson, MO	171,380	203,993	227,729	1.5%	1.4%
Lincoln, MO	28,892	42,280	46,235	3.2%	1.1%
St. Charles, MO	212,907	303,030	348,587	3.0%	1.8%
St. Louis, MO	993,509	1,018,102	986,265	0.2%	-0.4%
St. Louis City, MO	396,685	338,353	251,773	-1.3%	-3.6%
Warren, MO	19,534	26,193	30,864	2.5%	2.1%
Clinton, IL	33,944	35,855	37,251	0.5%	0.5%
Jersey, IL	20,539	21,858	24,848	0.5%	1.6%
Madison, IL	249,238	261,409	271,149	0.4%	0.5%
Monroe, IL	22,422	29,058	31,224	2.2%	0.9%
St. Clair, IL	262,852	257,904	300,308	-0.2%	1.9%
Total MSA	2,492,505	2,633,925	2,663,433	0.5%	0.1%
MISSOURI	5,117,073	5,672,579	5,808,393	0.9%	0.3%
UNITED STATES	248,709,873	288,368,698	299,862,000	1.2%	0.5%

Sources:

- i) U.S. Bureau of the Census, at www.census.gov.
- ii) Missouri Census 2000, at www.state.mo.us/2000 census.
- iii) State of Missouri, Division of Budget & Planning, at www.oa.state.mo.us/bp/popproj.
- iv) Illinois Census 2000, at www.state.il.us/2000 census.
- v) State of Illinois, Office of Policy, Development, Planning and Research, at www.commerce.state.il.us/research.

**CITY OF ST. LOUIS, MISSOURI
ST. LOUIS MSA CIVILIAN LABOR FORCE
1991-2002**

Year	Labor Force			Unemployment Rate
	Total	Employed	Unemployed	
1991	1,297,908	1,207,114	90,794	7.0%
1992	1,293,072	1,213,305	79,767	6.2%
1993	1,275,989	1,195,753	80,236	6.3%
1994	1,285,596	1,224,244	61,352	4.8%
1995	1,332,198	1,268,959	63,239	4.7%
1996	1,360,434	1,298,952	61,482	4.5%
1997	1,332,316	1,276,711	55,605	4.2%
1998	1,321,607	1,264,450	57,157	4.3%
1999	1,320,263	1,271,966	48,297	3.7%
2000	1,360,668	1,309,745	50,923	3.7%
2001	1,360,025	1,293,966	66,059	4.9%
2002P	1,357,680	1,285,977	71,703	5.3%
Average Annual Growth Rate				
1991-2002	0.4%	0.6%	-2.1%	-

Data for 2002 are preliminary.

Source: Missouri Department of Economic Development, at <http://mo.works.state.mo.us/lmi>.

Table 19

**CITY OF ST. LOUIS, MISSOURI
SELECTED MAJOR EMPLOYERS IN ST. LOUIS REGION
2002**

Company/No. of Employees	Industry
10,000 and above	
BJC Health System	Health Care
Boeing (formerly McDonnell Douglas)	Aircraft Manufacturing
The May Department Stores Company	Retail Trade
Schnuck Markets	Grocery Retail
Wal-Mart Stores, Inc.	Retail Trade
McDonald's Corporation	Restaurant
Scott Air Force Base	Defense
Washington University	Higher Education (private university)
5,000-9,999	
Anheuser-Busch Companies Inc.	Brewery
A.G. Edwards & Sons Inc.	Finance (brokerage)
American Airlines	Air Transportation
City of St. Louis	Municipal Government
DaimlerChrysler Corporation	Automobile Manufacturing (minivans & trucks)
Saint Louis University	Higher Education (private university)
SBC Southwestern Bell	Telecommunications
SSM Health Care System	Health Care
St. John's Mercy Health Care	Health Care
St. Louis Public School District	Education
Special School District of St. Louis County	Education
Tenet St. Louis	Health Care
U.S. Postal Service	Communications
2,000-4,999	
Ameren Corp.	Public Utilities (electricity)
Bank of America	Banking
Bi-State Development Agency	Mass Transportation
Charter Communications	Communication (broadband, cable and internet access)
CitiMortgage Inc.	Finance
Dierbergs Markets	Retail (supermarkets)
Edward Jones	Finance (brokerage)
Emerson Electric Co.	Electronics
Enterprise Rent-A-Car	Services (auto rentals & sales)
Ford Motors Co.	Automobile Manufacturing
Francis-Howell School District	Public Education
General Motors Corp. (Wentzville Assembly Center)	Automobile Manufacturing
Hardee's Food Systems, Inc.	Restaurants
Harrah's Casino and Hotel	Hospitality
K-Mart Corporation	Retail Trade
Tyco Healthcare Mallinckrodt Group Inc.	Manufacturing (medical chemicals)
Maritz Inc.	Services (motivational services)
Memorial Hospital	Health Care (acute care hospital)
Monsanto Co.	Manufacturing (agricultural & industrial chemicals)
National Steel Corp. (Granite City Division)	Steel Manufacturing
Olin Corporation (Brass & Winchester Divisions)	Manufacturing (copper products & ammunition)
Parkway School District	Education
Rockwood School District	Education
St. Anthony's Medical Center	Health Care
St. Louis County	County Government
United Parcel Service	Services (package delivery)
U.S. Bank	Finance
Walgreen Co.	Retail (drugstore)

Source: Regional Chamber and Growth Association at www.econdev.stlrcga.org.

**CITY OF ST. LOUIS, MISSOURI
ST. LOUIS MSA BUSINESS ESTABLISHMENTS
1992-2002 ¹**

Year	St. Louis MSA		United States
	# of Establishments	National Ranking	# of Establishments
1992	59,047	15	5,862,258
1993	61,424	15	6,175,127
1994	61,499	15	6,180,984
1995	62,480	16	6,289,515
1996	63,123	16	6,402,674
1997	63,656	16	6,493,394
1998	64,836	17	6,656,659
1999	65,346	17	6,794,831
2000	95,796	20	11,517,863
2001	105,305	17	12,086,972
2002	105,861	20	12,512,050
Percentage Change			
1992-1999	10.7%	-	15.9%

¹ Effective 2000, *Sales & Marketing Management* adopted a more comprehensive approach to the definition of "business establishment" to include government and non-commercial entities. Although it preserves the ranking system, the new measure distorts comparison in terms of levels and growth trend with prior years. Consequently, the percentage change shown in this table is calculated over the 1992-1999 period.

Source: Sales & Marketing Management, *Survey of Buying Power*, 1993-2003.

Table 21

**CITY OF ST. LOUIS, MISSOURI
 LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
 SCHEDULED AIR CARRIERS SERVING THE AIRPORT
 As of December 2003**

Major/National	Regional	All-Cargo
America West ¹	Air Canada ²	American International
American ¹	Air Canada Jazz ²	Airborne Express
Continental ¹	Atlantic Coast ³	BAX Global
Delta ¹	AWAC (Air Wisconsin) ³	DHL Airways
Northwest ¹	Chautauqua ⁴	Emery
Southwest ¹	Comair ⁵	Federal Express
United ¹	Continental Express	Mountain Air
Frontier	Corporate ⁶	United Parcel Service
	Mesa ⁷	Zantop International
	Mesaba ⁸	
	Skyway ⁹	
	Trans States ¹⁰	

¹ Signatory airlines.

² Foreign flag carrier.

³ Regional operator for United.

⁴ Signatory airline and regional operator for American (American Connection) and US Airways (US Airways Express).

⁵ Regional operator for Delta.

⁶ Regional operator for American (American Connection).

⁷ Regional operator for US Airways.

⁸ Regional operator for Northwest (Northwest Airlink).

⁹ Regional operator for Midwest Express.

¹⁰ Signatory airline and regional operator for American (American Connection) and US Airways (US Airways Express).

Source: Airport management.

Table 22

CITY OF ST. LOUIS, MISSOURI
Airport Operating Revenues and Expenses for GARB Purposes
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Historical ¹				
	1999	2000	2001	2002	2003
Revenues					
Air Carrier Fees	\$59,554	\$65,631	\$68,177	\$70,479	\$71,281
Concession Fees	33,107	37,126	39,532	33,318	38,034
Cargo/Other Revenues	5,106	5,157	4,866	7,663	10,963
TWA Lease Charges	7,829	7,829	7,829	7,829	7,829
Interest Income	6,914	6,533	8,170	8,282	6,248
Total GARB Revenues	\$112,510	\$122,276	\$128,574	\$127,571	\$134,354
PFC Pledged Revenue				21,894	18,766
Total Operating Revenues	\$112,510	\$122,276	\$128,574	\$149,465	\$153,120
Total Operating Expenses	57,735	56,688	63,860	68,387	75,576
Net Revenues	\$54,775	\$65,588	\$64,714	\$81,078	\$77,544
Aggregate Annual Debt Service On Outstanding GARB Bonds	36,469	47,603	46,946	62,228	59,172
Debt Service Coverage	1.50	1.38	1.38	1.30	1.31

¹ All figures based on audited financial reports for FY 1999 - 2003.

Table 23

CITY OF ST. LOUIS, MISSOURI
PROJECTED PASSENGER FACILITY CHARGES
ADP REDUCED
 Base Traffic
 Lambert-St. Louis International Airport
 For Fiscal Years Ending June 30
 (in thousands)

	Approved PFC Amount	Historical					Forecast				
		2001 & Prior	2002	2003	2004	2005	2006	2007	2008	2009	2010
		ADP Phase 1 Implementation Period									
Projected PFC resources											
Total enplaned passengers					9,076	7,400	7,771	9,062	8,366	8,530	6,997
Assumed percentage of enplaned passengers eligible					95%	95%	95%	95%	95%	95%	95%
PFC-eligible enplaned passengers					8,600	7,100	7,400	7,700	7,900	8,200	6,600
Amount of PFC charge					\$4.60	\$4.60	\$4.60	\$4.60	\$4.60	\$4.60	\$4.60
Less alpha revision					(0.10)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC charge					\$4.40	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39	\$4.39
Computed Net PFC revenue to Airport					\$32,840	\$31,169	\$32,488	\$33,803	\$34,881	\$35,666	\$37,316
Available PFC Resources											
Previous year's unused balance		\$0	\$112,166	\$108,141	\$67,228	\$34,039	\$6,440	(50)	\$4,914	\$18,967	\$34,660
Current year collections		\$310,800	40,765	60,579	37,840	31,169	32,488	33,803	34,881	35,666	37,316
plus: interest earned		\$38,478	2,466	1,164	654	266	48	70	178	366	642
Interim Financing Required							4,470				
Interest on Interim Financing				0	0	0	34		0	0	0
Repayment of Interim Financing							(4,470)				
Application of Available PFC Resources (PFC Expenditures)											
PFC #1	\$67,804	\$347,276	\$165,416	\$167,864	\$125,722	\$65,463	\$43,477	\$29,403	\$38,772	\$55,363	\$72,517
less: allowance for project deferrals/deletions		54,234	(79)	7,416	\$2,120	\$2,120	\$2,120	0	0	0	0
PFC #2	\$91,641	49,811	3,391	7,912	10,176	10,176	10,176	0	0	0	0
less: allowance for project deferrals/deletions					(6,176)	(6,176)	(6,176)				
PFC #3	\$200,259	131,045	28,448	40,219	545						
PFC #4 (debit service on PFC-enhanced Airport Rev Bonds)	300,274	0	17,515	15,013	15,013	15,013	15,013	20,803	20,803	20,804	20,801
25% Coverage Requirement			4,379	3,753	3,753	3,753	3,753	6,201	6,201	6,201	6,200
less: return of coverage to PFC account			(4,379)	(3,753)	(3,753)	(3,753)	(3,753)	(5,201)	(5,201)	(5,201)	(6,200)
PFC #4 Pay-As-You-Go	108,642	0	0	0	66,200	13,813	22,316	3,216			
PFC #5 Pay-As-You-Go											
ADP Project Elements	6,736	0	0	0	604	4,432	29	471	0		
Terminal (FIS), Concourse & Taxiway Improvements	27,271	0	0	94	0	27,177	0				
less: allowance for project deferrals/deletions						(17,773)					
PFC #6 Pay-As-You-Go	14,480	0	0	0		14,480	0		0		
less: allowance for project deferrals/deletions						(4,260)					
Cumulative unutilized PFC resources		\$112,166	\$108,141	\$87,228	\$34,039	\$9,440	(50)	\$4,914	\$18,967	\$34,660	\$61,716

**CITY OF ST. LOUIS, MISSOURI
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
O&D AND CONNECTING ENPLANEMENTS
1992-2003**

Year	O&D		Connecting		Total Enplanements
	Actual	Share	Actual	Share	
CY 1992	6,181,234	59.0%	4,297,267	41.0%	10,478,501
1993	6,270,884	63.1%	3,671,189	36.9%	9,942,073
1994	6,938,220	59.5%	4,728,447	40.5%	11,666,667
1995	6,967,981	54.2%	5,879,099	45.8%	12,847,080
1996	7,122,202	52.2%	6,509,252	47.8%	13,631,454
1997	7,144,372	51.7%	6,676,207	48.3%	13,820,579
1998	7,107,768	49.6%	7,226,561	50.4%	14,334,329
1999	7,127,141	47.2%	7,965,840	52.8%	15,092,981
2000	7,260,756	47.5%	8,040,822	52.5%	15,301,578
2001	6,306,660	47.2%	7,042,280	52.8%	13,348,940
CY 2002	5,751,523	44.8%	7,078,208	55.2%	12,829,731
FY 1999	7,156,835	49.1%	7,406,587	50.9%	14,563,422
FY 2000	7,193,492	47.1%	8,065,665	52.9%	15,259,157
FY 2001	7,034,255	46.9%	7,949,293	53.1%	14,983,548
FY 2002	5,780,267	45.9%	6,817,385	54.1%	12,597,652
FY 2003	5,511,052	46.6%	6,317,177	53.4%	11,828,229
Average Share					
CY 1992-2002	-	52.4%	-	47.6%	-
Average Annual Growth Rate					
CY 1992-2000	2.0%	-	8.1%	-	4.8%
CY 2000-2002	-11.0%	-	-6.2%	-	-8.4%
FY 1999-2001	-0.9%	-	3.6%	-	1.4%
FY 2001-2003	-11.5%	-	-10.9%	-	-11.2%

Source: Airport management.

Table 25

**CITY OF ST. LOUIS, MISSOURI
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
DOMESTIC AND INTERNATIONAL ENPLANEMENTS
1992-2003**

Year	Domestic		International		Total Enplanements
	Actual	Share	Actual	Share	
CY 1992	10,284,088	98.1%	194,413	1.9%	10,478,501
1993	9,810,109	98.7%	131,964	1.3%	9,942,073
1994	11,507,038	98.6%	159,629	1.4%	11,666,667
1995	12,714,692	99.0%	132,388	1.0%	12,847,080
1996	13,476,216	98.9%	155,238	1.1%	13,631,454
1997	13,663,543	98.9%	157,036	1.1%	13,820,579
1998	14,157,672	98.8%	176,657	1.2%	14,334,329
1999	14,907,791	98.8%	185,190	1.2%	15,092,981
2000	15,103,678	98.7%	197,900	1.3%	15,301,578
2001	13,088,791	98.1%	260,149	1.9%	13,348,940
CY 2002	12,561,957	97.9%	267,774	2.1%	12,829,731
FY 1999	14,387,966	98.8%	175,456	1.2%	14,563,422
FY 2000	15,080,187	98.8%	178,970	1.2%	15,259,157
FY 2001	14,746,149	98.4%	237,399	1.6%	14,983,548
FY 2002	12,340,054	98.0%	257,598	2.0%	12,597,652
FY 2003	11,580,964	97.9%	247,265	2.1%	11,828,229
Average Share					
CY 1992-2002	-	98.6%	-	1.4%	-
Average Annual Growth Rate					
CY 1992-2000	4.9%	-	0.2%	-	4.8%
CY 2000-2002	-8.8%	-	16.3%	-	-8.4%
FY 1999-2001	1.2%	-	16.3%	-	1.4%
FY 2001-2003	-11.4%	-	2.1%	-	-11.2%

Source: Airport management.

Table 26

CITY OF ST. LOUIS, MISSOURI
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
AIRLINE MARKET SHARE
CY 1992, 1996, 2000 and 2002

Airline	Enplanements				Market Share			
	1992	1996	2000	2002	1992	1996	2000	2002
Air Carrier								
America West	115,538	95,268	70,156	66,449	1.1%	0.7%	0.5%	0.5%
American	426,585	303,837	329,229	8,761,934	4.1%	2.2%	2.2%	68.8%
Continental	119,405	183,747	96,169	42,135	1.1%	1.3%	0.6%	0.3%
Delta	264,585	288,747	229,404	181,187	2.5%	2.1%	1.5%	1.4%
Northwest	302,800	311,768	260,308	230,328	2.9%	2.3%	1.7%	1.8%
Southwest	1,051,231	1,853,673	1,788,794	1,450,562	10.0%	13.6%	11.7%	11.4%
TWA ¹	6,867,294	9,232,007	11,064,976	-	65.5%	67.7%	72.3%	0.0%
United	303,773	275,354	226,383	260,555	2.9%	2.0%	1.5%	2.0%
US Airways	203,803	156,333	177,539	139,358	1.9%	1.1%	1.2%	1.1%
Other	-	-	-	575	0.0%	0.0%	0.0%	0.0%
Subtotal-Air Carrier	9,655,014	12,746,315	14,242,958	11,133,083	92.1%	93.5%	93.1%	87.4%
Commuter								
Air Canada	-	21,539	22,774	19,504	0.0%	0.2%	0.1%	0.2%
Aspen/Executive	5,761	2,518	-	-	0.1%	0.0%	0.0%	0.0%
Chautauqua (American Connection)	-	-	101,000	560,274	0.0%	0.0%	0.7%	4.4%
Comair	20,381	36,128	74,572	78,893	0.2%	0.3%	0.5%	0.6%
Continental Express	-	-	53,808	111,803	0.0%	0.0%	0.4%	0.9%
Corporate Air (American Connection)	-	-	29,862	83,919	0.0%	0.0%	0.2%	0.7%
Mesa	-	-	8,836	6,608	0.0%	0.0%	0.1%	0.1%
Mesaba	-	-	64,174	56,976	0.0%	0.0%	0.4%	0.4%
Skyway	-	5,841	4,434	4,814	0.0%	0.0%	0.0%	0.0%
Trans States (American Connection)	653,912	722,873	538,254	553,623	6.2%	5.3%	3.5%	4.3%
US Airways Express	-	-	12,054	23,420	0.0%	0.0%	0.1%	0.2%
US Airways Express/Chautauqua	-	-	-	29,767	0.0%	0.0%	0.1%	0.2%
Others	2,576	249	-	13,445	0.0%	0.0%	0.0%	0.1%
Subtotal-Commuter	682,630	810,619	909,768	1,548,252	6.5%	5.9%	5.9%	12.2%
Subtotal-Charter	140,857	74,520	148,852	60,861	1.3%	0.5%	1.0%	0.5%
Total Enplanements	10,478,501	13,631,454	15,301,578	12,742,196	100.0%	100.0%	100.0%	100.0%

¹ On April 9, 2001, Trans World Airline (TWA) sold all of its assets to a wholly owned subsidiary of American Airlines Inc. (AMR Sub).

Source: Airport management.

Table 27

**CITY OF ST. LOUIS, MISSOURI
 LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
 HISTORICAL AIR CARGO (In Pounds)
 1992-2003**

Year	Freight		Mail		Total
	Pounds	Share	Pounds	Share	
CY 1992	182,369,502	74.1%	63,840,674	25.9%	246,210,176
1993	173,670,151	71.6%	68,933,027	28.4%	242,603,178
1994	206,420,853	73.4%	74,947,308	26.6%	281,368,161
1995	199,295,887	70.9%	81,936,946	29.1%	281,232,833
1996	197,912,443	68.3%	91,882,960	31.7%	289,795,403
1997	186,984,794	68.8%	84,932,798	31.2%	271,917,592
1998	214,406,126	73.3%	78,161,440	26.7%	292,567,566
1999	211,601,498	73.2%	77,378,841	26.8%	288,980,339
2000	214,749,669	74.8%	72,268,005	25.2%	287,017,674
2001	212,177,374	78.8%	57,236,399	21.2%	269,413,773
CY 2002	191,472,804	67.3%	93,223,627	32.7%	284,696,431
FY 1999	212,210,557	73.3%	77,140,818	26.7%	289,351,375
FY 2000	215,766,693	74.0%	75,701,181	26.0%	291,467,874
FY 2001	215,879,453	75.9%	68,617,309	24.1%	284,496,762
FY 2002	192,103,187	72.5%	72,800,856	27.5%	264,904,043
FY 2003	194,538,626	69.5%	85,243,106	30.5%	279,781,732
Average Annual Growth Rate					
CY 1992-2000	2.1%		1.6%		1.9%
CY 2000-2002	-5.6%		13.6%		-0.4%
FY 1999-2001	0.9%		-5.7%		-0.8%
FY 2001-2003	-5.1%		11.5%		-0.8%

Source: Airport management.

**CITY OF ST. LOUIS, MISSOURI
FORECASTED AIRPORT REVENUES
ADP REDUCED**

Base Traffic

**Lambert-St. Louis International Airport
Fiscal years Ending June 30
(in thousands)**

Table 28

AIRPORT REVENUES	Avg. Annual Growth Rate		Forecast					
	1999-2003	2003-2010	2004	2005	2006	2007	2008	2009
Signatory Airlines								
Airfield Landing Fees	4.9%	7.6%	\$37,449	\$36,748	\$44,263	\$64,412	\$75,354	\$74,599
Terminal Rents	6.2%	-1.5%	22,962	23,899	21,225	18,535	18,825	19,102
Total	5.3%	5.1%	\$60,411	\$60,648	\$65,488	\$82,948	\$94,179	\$93,701
Concession Fees								
Terminal Concessions	-5.4%	0.9%	\$6,172	\$6,153	\$6,315	\$6,751	\$7,183	\$7,616
Public Parking	-5.6%	9.9%	9,934	11,279	11,897	14,928	15,579	16,168
Car Rentals	1.2%	4.6%	9,909	10,107	10,727	11,378	12,015	12,642
Space Rental	-4.7%	3.0%	1,019	1,049	1,081	1,113	1,147	1,181
In-Flight Catering	13.3%	-1.1%	1,077	913	978	1,048	1,118	1,187
Other	61.0%	-9.8%	9,996	4,109	4,225	4,344	4,467	4,594
Total	3.5%	2.5%	\$38,107	\$33,610	\$35,223	\$39,562	\$41,507	\$43,388
Other								
Non-Signatory Landing Fees	13.8%	-9.5%	\$6,547	\$11,073	\$6,589	\$1,606	\$1,893	\$1,859
Non-Signatory Airlines-Terminal	22.2%	3.0%	634	653	673	693	714	735
Total	14.8%	-7.1%	\$7,181	\$11,726	\$7,262	\$2,299	\$2,607	\$2,594
Cargo	4.5%	3.0%	\$2,261	\$2,329	\$2,399	\$2,471	\$2,545	\$2,621
Hangars and Other Buildings	25.7%	-1.9%	1,515	1,443	1,069	1,108	1,148	1,189
Tenant Improvement Surcharge	0.0%	20.1%	843	1,386	1,236	1,085	1,085	1,085
Employee Lot	-6.6%	2.0%	1,198	1,222	1,247	1,271	1,297	1,323
Other Miscellaneous	9.9%	-3.5%	4,191	4,182	4,292	4,407	4,528	4,664
Total Other-Operating	10.4%	-1.8%	\$17,189	\$22,289	\$17,504	\$12,642	\$13,210	\$13,475
TWA Asset Use Charges	0.0%	-100.0%	\$7,829	\$7,829	\$3,914	\$0	\$0	\$0
Total Operating Revenue	4.9%	2.6%	\$123,536	\$124,375	\$122,130	\$135,152	\$148,897	\$150,564
Interest Income	-2.5%	-7.5%	\$6,799	\$6,863	\$5,820	\$5,240	\$4,513	\$4,038
Total GARB Revenues	4.5%	2.3%	\$130,335	\$131,238	\$127,949	\$140,392	\$153,410	\$154,602
PFC Pledged Revenue		4.8%	18,766	18,766	18,766	26,004	26,007	26,004
Total Revenues	8.0%	2.6%	149,101	150,005	146,716	166,396	179,416	180,606

1. Excludes PFC Revenues, and PFC Interest Income.

Table 29

CITY OF ST. LOUIS, MISSOURI
SUMMARY OF AIRLINE REVENUES, COST PER ENPLANED PASSENGER AND RATES
ADP REDUCED
Base Traffic
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Forecast					
	2004	2005	2006	2007	2008	2009
SIGNATORY AIRLINE REVENUES						
Landing Fees	\$37,449	\$36,748	\$44,263	\$64,412	\$75,354	\$74,599
Terminal Building Rentals						
Main terminal	\$6,847	\$7,164	\$7,130	\$7,290	\$7,393	\$7,498
Concourses A, B & C	5,593	5,793	6,016	6,202	6,318	6,423
Concourse C extension	3,554	3,775	1,947	0	0	0
Concourse D	1,983	2,308	1,197	0	0	0
East connector	528	553	573	591	597	594
East terminal	4,456	4,305	4,363	4,452	4,518	4,586
Terminal Tenant Improvement Surcharges	\$22,962	\$23,899	\$21,225	\$18,535	\$18,825	\$19,102
Concourse D (AA)	301	301	151	0	0	0
Concourse C (AA)	542	1,085	1,085	1,085	1,085	1,085
TOTAL SIGNATORY AIRLINE REVENUES--	\$843	\$1,386	\$1,236	\$1,085	\$1,085	\$1,085
BASIC RATES AND CHARGES						
TOTAL SIGNATORY AIRLINE REVENUES--	\$61,254	\$62,034	\$66,724	\$84,033	\$95,264	\$94,786
Signatory airline enplaned passengers	8,134	6,388	7,127	7,909	8,186	8,446
Cost per enplaned passenger	\$7.53	\$9.71	\$9.36	\$10.62	\$11.64	\$11.22
SIGNATORY AIRLINE RATES						
Landing Fee Rate (per 1,000 pounds)	\$3.40	\$4.57	\$4.78	\$6.12	\$6.95	\$6.70
Average Terminal Building Rental Rates						
Main Terminal	\$39.42	\$41.51	\$41.28	\$42.34	\$43.02	\$43.71
Concourses A, B, and C	\$31.14	\$32.25	\$33.49	\$34.53	\$35.17	\$35.76
Concourse C Extension	\$39.61	\$42.07	\$43.39	\$44.46	\$42.90	\$36.64
Concourse D	\$34.52	\$40.24	\$41.74	\$42.92	\$43.83	\$44.68
East Connector	\$26.19	\$27.44	\$28.42	\$29.32	\$29.65	\$29.49
East Terminal	\$42.63	\$40.89	\$41.56	\$42.60	\$43.35	\$44.15

CITY OF ST. LOUIS, MISSOURI
FORECAST OPERATION AND MAINTENANCE EXPENSES
ADP REDUCED
Base Traffic
Lambert-St. Louis International Airport
For Fiscal Years Ending June 30
(in thousands)

	Actual 2003	Forecast					
		2004	2005	2006	2007	2008	2009
<u>Personal Services</u>							
Salaries & Wages	\$31,294	\$29,329	\$30,208	\$31,115	\$34,152	\$35,177	\$36,232
Fringe Benefits	6,527	5,468	5,680	5,851	6,459	6,653	6,852
Overtime - Regular Employees	2,023	1,274	1,312	1,351	1,481	1,526	1,572
<u>Supplies, Materials & Equipment</u>							
Deicing & Misc. Supplies	\$39,844	\$36,070	\$37,200	\$38,316	\$42,093	\$43,355	\$44,656
Other	\$2,199	\$1,692	\$1,743	\$1,796	\$2,155	\$2,219	\$2,286
	4,864	2,992	2,165	2,278	2,570	2,695	2,825
<u>Contractual Services</u>							
Utilities	\$7,064	\$4,685	\$3,908	\$4,074	\$4,724	\$4,915	\$5,111
Rental & Lease of Equipment - Snow Removal	\$5,251	\$6,214	\$6,395	\$6,582	\$7,089	\$7,297	\$7,511
Rental & Lease of Equipment - Land Maintenance	3,116	1,835	1,891	1,947	2,006	2,066	2,128
Cleaning Services	0	824	848	874	900	927	955
Reimbursement for City Services	3,236	2,509	2,584	2,662	2,742	2,824	2,909
Shuttle, Misc., Acoustical	1,774	1,276	1,314	1,354	1,394	1,436	1,479
Legal	1,817	1,680	1,731	1,783	1,836	1,891	1,948
Security Service	524	624	643	662	682	702	723
Insurance	3,775	4,468	4,602	4,740	5,451	5,614	5,783
Other	1,357	1,980	2,039	2,100	2,163	2,228	2,295
	7,818	8,918	8,463	8,726	9,160	9,444	9,738
Total Operation & Maintenance Expenses (1)	\$28,668	\$30,327	\$30,510	\$31,430	\$33,423	\$34,430	\$35,468
	\$75,576	\$71,082	\$71,618	\$73,820	\$80,240	\$82,701	\$85,235

(1) Excludes 5% gross receipts tax, which is not included in the calculation of Net Revenues

Table 31

CITY OF ST. LOUIS, MISSOURI
CALCULATION OF ANNUAL DEBT SERVICE COVERAGE
 ADP REDUCED
 Base Traffic
 Lambert St. Louis International Airport
 For Fiscal years Ending June 30
 (in thousands)

	Projected					
	2004	2005	2006	2007	2008	2009
ANNUAL DEBT SERVICE COVERAGE						
Total Revenues	\$149,101	\$150,005	\$146,716	\$166,396	\$179,416	\$180,606
less: Operation and Maintenance Expenses	71,082	71,618	73,820	80,240	82,701	85,235
Net Revenues	\$78,019	\$78,387	\$72,896	\$86,156	\$96,716	\$95,371
Debt Service	60,464	41,707	48,168	67,149	71,437	71,416
less: LOI Grant Deposit (bonds only)	0	0	0	0	0	0
Net Aggregate Debt Service Payment	60,464	41,707	48,168	67,149	71,437	71,416
Debt service coverage ratio	1.29	1.88	1.51	1.28	1.35	1.34
ADDITIONAL BONDS TEST						
Forecast debt service coverage				1.28	1.35	1.34
Required debt service coverage				1.25	1.25	1.25
Forecast debt service coverage exceeds the 1.25 times requirement in each Fiscal Year.						